



BATH & NORTH EAST SOMERSET COUNCIL

STATEMENT OF ACCOUNTS 2010/11

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FOREWORD TO THE ACCOUNTS

Introduction

The Statutory Statement of Accounts have been produced in accordance with the CIPFA Code of Practice on Local Authority Accounting based on International Financial Reporting Standards.

2010/11 is the first year that local authorities have had to fully implement International Financial Reporting Standards.

The 2009/10 figures have been restated based IFRS standards.

The move to an IFRS based Code from UK GAAP based statement of recommended practice results in a number of significant changes in accounting practice.

The key changes include:

- * Grants and contributions for capital purposes are now recognised as income immediately rather than being deferred and released to revenue to match depreciation.
- * The main financial statements have changed.
- * There is emphasis on component accounting and derecognising parts of an asset that are replaced.
- * Some property leases may be classified and accounted for as separate leases of land and buildings.
- * Investment properties are measured at fair value, with gains and losses recognised in surplus or deficit rather than through the revaluation reserve.
- * Impairment losses are taken initially to the revaluation reserve to the extent that there is a balance on that reserve relating to the specific asset.
- * There is a new classification of non-current assets held for sale.
- * All employee benefits are now accounted for as they are earned by the employee. This requires accruals for items such as holiday pay.
- * The definition of associates for group accounts is now based on the ability to control rather than actual control.

RECONCILIATION OF NET WORTH UNDER IFRS TO UK GAAP

UK GAAP Balance Sheet as at 31 March 2010		Restatement Adjustments					IFRS Balance Sheet as at 31 March 2010	
	£'000	Lease Classification / accruals £'000	Government Grants Deferred £'000	Assets Held for Sale £'000	Cash & Cash Equivalents £'000			£'000
Long term Assets							Property, Plant & Equipment:	
Intangible Fixed Assets	785						Intangible Assets	785
Operational Assets :								
- Other Land & Buildings	280,189						Land & Buildings	280,189
- Community Assets	3,183						Community Assets	3,183
- Infrastructure	42,488						Infrastructure	42,488
- Vehicles, plant & equipment	4,953	260					Vehicles, Plant & Equipment	5,213
- Investment Properties	224,067	(6,633)					Investment Property	217,434
- Assets under Construction	19,086						Assets under Construction	19,086
- Surplus Assets	20,160			(1,145)			Surplus assets	19,011
Investments	6						Long Term Investments	6
Long Term Debtors	457						Long Term Debtors	457
Total Long Term Assets	595,374						Long Term Assets	587,852
Stocks and Work in Progress	600						Inventories	600
Debtors and Prepayments	28,902						Short Term Debtors	28,902
Investments-Cash on Deposit	69,594					(20,121)	Short Term Investments	49,473
Cash and Bank	11,325					21,121	Cash and Cash Equivalents	31,446
				1,145			Assets Held for Sale	1,145
Current Assets	110,421						Current Assets	111,566
Creditors	(60,995)	(1,762)					Short Term Creditors	(62,757)
Bank Overdraft	(13,943)						Bank Overdraft	(13,943)
Current Liabilities	(74,938)						Current Liabilities	(76,700)
Long Term Borrowing	(81,815)						Long Term Borrowing	(81,815)
Capital Grants Deferred	(59,465)		59,465				Long Term Creditors	-
Provisions for Liabilities	(570)						Provisions	(570)
Deferred Liability-Avon Loan	(17,114)						Other Long Term Liabilities	(210,677)
Pensions Liability	(193,563)						Deferred tax liability	-
Long Term Liabilities	(352,527)						Long Term Liabilities	(293,062)
Net Assets	278,330						Net Assets	329,656
Financed By:								
General Fund Balances	35,693							
Collection Fund Adjustment Account	973							
Capital Grants Unapplied	9,216							
Useable Capital Receipts	903							
Deferred Capital Receipts	339						Usable reserves	45,812
Capital Adjustment Account	386,519	(6,373)	59,465				Unusable Reserves	283,844
Revaluation Reserve	38,250							
Accumulated absences a/c	-	(1,762)						
Pensions Reserve	(193,563)							
	278,330						Total Reserves	329,656

FOREWORD TO THE ACCOUNTS - continued

UK GAAP		Restatement Adjustments				IFRS	
Balance Sheet		Lease	Gov. Grants	Assets Held	Cash &	Balance Sheet	
as at 31 March 2009		Classification	Deferred	for Sale / Gain	Cash	as at 31 March 2009	
		/ accruals		on Investment	Equivalents		
	£'000	£'000	£'000	Properties	£'000		£'000
Long term Assets						Property, Plant & Equipment:	
Intangible Fixed Assets	805					Intangible Assets	805
Operational Assets :							
- Other Land & Buildings	284,499	(3,504)				Land & Buildings	280,995
- Community Assets	3,164					Community Assets	3,164
- Infrastructure	40,349					Infrastructure	40,349
- Vehicles, plant & equipment	6,484	833				Vehicles, Plant & Equipment	7,317
- Investment Properties	223,216	(4,720)				Investment Property	218,496
- Assets under Construction	11,828					Assets under Construction	11,828
- Surplus Assets	17,228			(1,698)		Surplus assets	15,530
Investments	6					Long Term Investments	6
Long Term Debtors	410					Long Term Debtors	410
Total Long Term Assets	587,989					Long Term Assets	578,900
Stocks and Work in Progress	285					Inventories	285
Debtors and Prepayments	38,262					Short Term Debtors	38,262
Investments-Cash on Deposit	82,175				(13,903)	Short Term Investments	68,272
Cash and Bank	10,484				13,903	Cash and Cash Equivalents	24,387
				1,698		Assets Held for Sale	1,698
Current Assets	131,208					Current Assets	132,904
Creditors	(84,941)	(1,873)				Short Term Creditors	(86,814)
Bank Overdraft	(6,337)					Bank Overdraft	(6,337)
Current Liabilities	(91,278)					Current Liabilities	(93,151)
Long Term Borrowing	(81,818)					Long Term Borrowing	(81,818)
Capital Grants Deferred	(44,263)		44,263			Long Term Creditors	-
Provisions for Liabilities	(714)					Provisions	(714)
Deferred Liability-Avon Loan	(17,796)					Other Long Term Liabilities	(158,932)
Pensions Liability	(141,136)					Deferred tax liability	
Long Term Liabilities	(285,727)					Long Term Liabilities	(241,464)
Net Assets	342,190					Net Assets	377,189
Financed By:							
General Fund Balances	33,810						
Collection Fund Adjustment							
Account	1,258						
Capital Grants Unapplied	11,980						
Useable Capital Receipts	-						
Deferred Capital Receipts	359					Usable reserves	47,048
Capital Adjustment Account	411,558	(7,391)	44,263	17,485		Unusable Reserves	330,141
Revaluation Reserve	24,361			(17,485)			
Accumulated absences a/c	-	(1,873)					
Pensions Reserve	(141,136)						
Total Reserves	342,190					Total Reserves	377,189

UK GAAP	2009/10 Income & Expenditure Account					IFRS
	Reconciliation to Net Cost of Services					
	Restatement Adjustments					
	holiday pay accrual	deferred grant	Investment Properties	amortisat'n Income & Expenditure		
	£'000	£'000	£'000	£'000	£'000	£'000
Central Services to the Public	(687)			(563)		(1,250)
Cultural Environmental, Regulatory & Planning Services	39,433	89	103			39,625
Education & Children's Services	31,281	1,531	1,053			33,865
Highways & Transportation Services	11,452	(7)	452			11,897
Housing Services	4,571					4,571
Adult Social Care Services	46,525	54	769			47,348
Corporate and Democratic core	1,510	95	1,000	11,472		14,039
Non Distributed Pensions costs	841					841
Net Cost of Services	134,926					150,936

FOREWORD TO THE ACCOUNTS - continued

The Accounts and Audit Regulations 2003 require that the Statement of Accounts shall be approved by a resolution of a Committee of the relevant body and that following approval, the Statement of Accounts be signed and dated by the person presiding at the Committee.

The main purpose of a local authority's published Statement of Accounts is to provide electors, Council Tax payers, members of the Council, employees and other interested parties, with clear information about the Council's financial position. It should aim to provide answers to the following questions:

- What did the Council's services cost in the year?
- Where did the money come from?
- What are the Council's assets and liabilities at the year-end?

The main financial statements are:

Movement in Reserves Statement

The Movement on Reserves Statement shows the movement in the year on different reserves held by the authority.

Comprehensive Income and Expenditure Account

The Comprehensive Income and Expenditure Account summarises the resources that have been generated and consumed in providing services and managing the Council during the year.

Balance Sheet

The Balance Sheet shows the assets and liabilities of the Council as a whole at the 31 March 2011.

Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from external transactions for both capital and revenue purposes.

Collection Fund

These statements show income from local taxes and from the national non-domestic rates pool, and how these are allocated to the Council and the Police and Fire Authorities on whose behalf they are collected.

Pension Fund Accounts

A summary of the Pension Fund accounts is included, as the Council is the administering authority for the Avon Pension Fund.

Statement of Accounting Policies

The statement describes the accounting concepts and policies adopted in the preparation of the accounts. It contains a number of technical notes, none of which are unusual or which differ from the concepts adopted by the majority of other Local Authorities. The Council complied with all recommended accounting practices contained within the Code of Practice on Local Authority Accounting in the United Kingdom 2010, which is recognised by statute as representing proper accounting practices. The Code of Practice incorporates Best Value Accounting principles with which the Council has also complied.

FOREWORD TO THE ACCOUNTS - continued

General Review

Summary of the Council's financial performance

Despite a number of major pressures, the Council underspent its revenue budget by £0.4m in 2010/11.

The Council has a robust action plan system for addressing service overspends which are monitored on a monthly basis and has helped produce a favourable outturn position. Cost pressures relating to both Adult and Children care placements and severance costs related to the Councils need to downsize placed significant pressure on services to remain within budget. The Council also had to manage the impact of the governments in year cuts with losses of £1.8m per annum in revenue funding (equivalent to 2.5% on Council Tax) and a £1.8m reduction in capital funding. The majority of these cuts fell in Children's Services. The main areas contributing to the underspend relates to investment interest where cash balances remained higher than anticipated and savings on waste contracts and reduced waste disposal tonnages.

The Next Twelve Months

The medium term planning period from 2011/12 remains challenging as the government continues to tackle the national budget deficit through significant reductions in public expenditure. The Council was well prepared for this and its Medium Term Service and Resource Planning process continues to prepare the Council for the financial challenge ahead. However, given the scale of efficiency savings already achieved and those planned for 2011/12 it is increasingly likely that future savings will require some reductions in Council services.

The Council's change programme has been refocused to take account of changes since July 2010 which include the Coalition Government's austerity measures, the Academies Act, new requirements on the NHS, which affect our Health and Wellbeing partnership and the new Economic Growth White Paper. The programme has been extended to:

- * create an organisation (Core Council) that understands local needs and commissions the right service from the right provider.
- * reshape Customer Services to be the public face of the Council, where 80% of questions are dealt with at the first point of contact.
- * bring together Support Services to deliver more effective and efficient services.
- * make better use of the Council's property assets.
- * meet the government's requirements for Children's Services, Academies and Social Care.
- * make further efficiency savings on top of other savings from re-prioritisation of services.

The change programme is making a significant contribution to both the future delivery of Council services and helping to meet the overall financial challenge facing the Council.

Revenue outturn and balances

The Council's net revenue budget was set at £129.94 million leading to a 2.5% increase in its part of the 2010/11 Council Tax. Dedicated schools grant funding of £98.9m separately supports expenditure on schools.

Total net spending amounted to £128.9 million against a revised budget of £129.3m, with a year end surplus of £0.4 million on general fund spending.

The Council followed well established procedures for monitoring its finances and reporting the position to the Cabinet. Despite a number of major pressures during 2010/11, the budget has been managed in total with a small underspend. The main areas contributing to the underspend relates to capital financing and waste management savings through contract savings and reduced disposal tonnages.

The Council continues with its programme of budget management where overspends and underspends are carried forward (rollovers) subject to policy approval. After transfers to earmarked reserves the General Fund stands at £13.3m.

The main adverse variances from budget incurred are:

Service Delivery overspend of £305k - mainly due to staff severance costs partly offset by waste management savings.

The main favourable variances from budgets incurred are:

Adult Social Services & Housing underspend of £396k - mainly due to additional income from service user contributions and the completion of tendering processes for Supporting People and Community Funding programmes.

Corporate & Agency underspend of £541k - mainly due to additional investment income as a result of higher cash balances, interest savings on Ex Avon debt following loan restructuring and reduced non-recoverable Housing/Council Tax benefit subsidy.

FOREWORD TO THE ACCOUNTS - continued

The outturn position compared to the budget and the last reported forecast is as follows:

Service	Budgeted	Actual	(Under)/ Over
	Spend	Spend	Spend
	£'000	£'000	£'000
Service Delivery	29,489	29,794	305
Children's Services	26,217	26,346	128
Adult Social Services & Housing	51,466	51,070	(396)
Resources & Support Services	3,276	3,459	183
Improvement & Performance	2,829	2,755	(74)
Development & Major Projects	2,010	2,069	58
Council Solicitor	2,523	2,416	(108)
Corporate & Agency Budgets	11,516	10,975	(541)
	129,329	128,884	(445)

In addition the net position on schools was an overall underspend of £2,048k, comprising an underspend of £2,618k on Dedicated Schools grant partly offset by use of schools reserves totalling £570k. The School's Forum has deliberately created a large carry forward as part of its budget planning to support the changes to funding allocations as part of the Academies programme. The carry forward reflects the significant carry forward from 2009/10 into 2010/11 and will be utilised when the DFE adjust recoupment charges for those schools converting in 2011/12.

Collection Fund

The estimated surplus on the Collection was £700,000. The actual surplus after allowance for the Police and Fire Authorities share is £843,000. This has been taken into account when setting the 2011/12 budget.

Income and Expenditure Account

The Income and Expenditure Account includes a number of items that are not required to be included in the General Fund and to be taken into account in setting the council tax. The Income and Expenditure Account included within this Statement of Accounts shows the net cost of services for the year of £186.7m. This reconciles to the General Fund spending reported above as follows:

	£m	£m
Total net spending by departments		126,836
Add:		
Charges related to capital assets:		
- depreciation	15,791	
- revenue expenditure funded from capital under statute	17,152	
- impairment, including non-enhancing capital expenditure	39,601	
FRS17 pension adjustments	7,851	
		<u>80,395</u>
Offset by:		
Grant funded revenue expenditure funded from capital under statute	11,085	
Unapportioned pensions contributions	1,650	
Levy payments	221	
Interest received and paid	(3,835)	
Other movements on funds and balances	1,429	
Pensions Fund past service cost gains	31,603	
Net transfers to reserves	9,992	
		<u>52,145</u>
Cost of services - continuing operations		155,086

The principal differences relate to capital assets. The general fund includes the cost of financing capital assets whereas the Income and Expenditure Account includes depreciation and impairment.

FOREWORD TO THE ACCOUNTS - continued

Capital Expenditure

Capital expenditure in 2010/11 totalled £51.5m. Overall capital spending was 72% of the revised capital budget. New borrowing of £10m was taken from the Public Works Loan Board to fund historic capital spend. Details are:

Departments	Planned Spend £,000's	Actual Spend £,000's	Variation on planned spend £,000's
Service Delivery	17,905	15,541	(2,364)
Children's Services	24,485	19,932	(4,553)
Adult Social Services & Housing	2,739	2,458	(281)
Resources & Support Services	7,791	6,453	(1,338)
Development & Major Projects	11,838	7,142	(4,696)
Corporate	6,518	-	(6,518)
	71,276	51,526	(19,750)

Capital expenditure was financed as:

	£,000's
Capital receipts	2,383
Capital grants and contributions	26,182
Revenue	1,768
Borrowing	21,193
	51,526

Long term debt at 31 March 2010 is shown in the Balance Sheet at £91.9m (2009/10 £81.8m).

Pensions Fund

As required under the Regulations, a triennial valuation of the Avon Pension Fund was carried out as at 31 March 2010 which sets the employer contribution rates from 1 April 2011. The funding level was calculated at 82% (i.e. the Funds assets cover 82% of future liabilities) which compares to 83% in 2007. The deficit widened during the period due to the investment returns below expectations in the 3 years and the lower real yields (bond yields less inflation) causing an increase in liabilities. However, the government announcement in 2010 that pension benefits are to be linked to the Consumer Price Index rather than the Retail Price Index, helped limit the increase in the liabilities.

Pension Liabilities

The Council has a liability of £154.3m for future pensions costs. This is because under FRS17 the Council must account for pensions for former members of staff when the commitment is made not when the pension is paid. The liability is £39.2m less than in 2009/10. This is mainly due to pensions benefits being linked to the Consumer Price Index rather than the Retail Price Index as mentioned above.

Group Accounts

There is now a requirement to include a consolidation of group accounts under the Local Authority Statement of Recommended Practice (SORP) 2010. The Council has group relationships with Bath Tourism Plus, Connexions West of England and the West of England Partnership. The turnover and assets held by these companies are not considered significant enough to produce Group Accounts.

FOREWORD TO THE ACCOUNTS - continued

Further Information

Further information on the Council's Accounts and those of the Avon Pension Fund is available on the Councils' website and that of the Avon Pension Fund:

www.bathnes.gov.uk/BathNES/councilinformation/finance

www.avonpensionfund.org.uk

Once again the accounts have been produced promptly and to a high standard. This would have not been possible without the hard work of finance staff across the Council. My thanks go to all finance staff and to Service Directors for their assistance in the preparation of these accounts and for their support throughout the year.

A handwritten signature in dark ink, appearing to be 'TR', on a light blue background.

Tim Richens

Divisional Director of Finance (Section 151 Officer)

MOVEMENT IN RESERVES STATEMENT 2010/11

This Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income & Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balances for Council Tax setting purposes. The 'Net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to and from earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2010	14,638	21,055	903	9,216	45,812	283,844	329,656
Surplus or Deficit on Provision of Services (accounting basis)	(36,133)				(36,133)		(36,133)
Other Comprehensive Income & Expenditure	(182)		-	(3,828)	(4,010)	(15,967)	(19,977)
Total Comprehensive Income & Expenditure	(36,315)	-	-	(3,828)	(40,143)	(15,967)	(56,110)
Adjustment between accounting basis and funding basis under regulations	44,938		(901)		44,037	49,647	93,684
Net Increase/Decrease before Transfers to Earmarked Reserves	8,623	-	(901)	(3,828)	3,894	33,680	37,574
Transfers to/from earmarked reserves	(9,992)	9,371			(621)		(621)
Increase/Decrease in Year	(1,369)	9,371	(901)	(3,828)	3,273	33,680	36,953
Balance at 31 March 2011	13,269	30,426	2	5,388	49,087	317,524	366,611

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2009	24,402	10,666	-	11,980	47,048	330,141	377,189
Surplus or Deficit on Provision of Services (accounting basis)	(15,869)				(15,869)		(15,869)
Other Comprehensive Income & Expenditure	(37,710)			(2,764)	(40,474)	11,450	(40,474)
Total Comprehensive Income & Expenditure	(53,579)	-	-	(2,764)	(56,343)	11,450	(44,893)
Adjustment between accounting basis and funding basis under regulations	54,856		903		55,759	(57,743)	(1,984)
Net Increase/Decrease before Transfers to Earmarked Reserves	1,277	-	903	(2,764)	(584)	(46,293)	(46,877)
Transfers to/from earmarked reserves	(11,041)	10,389			(652)		(652)
Increase/Decrease in Year	(9,764)	10,389	903	(2,764)	(1,236)	(46,293)	(47,529)
Balance at 31 March 2010	14,638	21,055	903	9,216	45,812	283,848	329,660

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT 2010/11

This Statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Notes	2009/10 Gross Exp £'000	2009/10 Gross Inc £'000	2009/10 Net Exp £'000		2010/11 Gross Exp £'000	2010/11 Gross Inc £'000	2010/11 Net Exp £'000
				Expenditure on Services			
	7,798	(9,048)	(1,250)	Central Services to the Public Cultural Environmental, Regulatory	4,372	(3,698)	674
	63,883	(24,258)	39,625	& Planning Services	70,568	(26,086)	44,482
	181,766	(147,901)	33,865	Education & Children's Services	216,485	(155,313)	61,172
	27,701	(15,804)	11,897	Highways & Transportation Services	32,949	(17,079)	15,870
	61,932	(57,361)	4,571	Housing Services	67,810	(59,177)	8,633
	84,340	(36,992)	47,348	Adult Social Care Services	87,662	(38,420)	49,242
	27,657	(13,618)	14,039	Corporate and Democratic Core	48,981	(44,461)	4,520
48	841	-	841	Non Distributed Pensions Costs	1,570	(31,603)	(30,033)
5	22,092	(22,092)	-	Stone Mines Project	3,551	(3,025)	526
	478,010	(327,074)	150,936	Cost of Services - continuing Operations	533,948	(378,862)	155,086
9			(207)	Other Operating Expenditure			22,475
				Financing and Investment Income			
10			6,291	& Expenditure			(935)
			-	Surplus or Deficit on Discontinued Operations			-
				Taxation and Non-Specific Grant			
11			(141,151)	Income			(140,493)
			15,869	Surplus or Deficit on Provision of Services			36,133
			(9,360)	Surplus or Deficit on Revaluation of Non-current Assets			14,087
			-	Surplus or Deficit on Revaluation of Available for Sale Financial Assets			-
38			47,070	Actuarial Gains/Losses on Pension Assets/Liabilities			(13,905)
			-	Share of Other Comprehensive Expenditure & Income of Associates & Joint Ventures			
			37,710	Other Comprehensive Income & Expenditure			182
			53,579	Total Comprehensive Income & Expenditure			36,315

BALANCE SHEET as at 31 MARCH 2011

The Balance sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves include reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis regulations".

Notes	31 March 2010 £'000	31 March 2009 £'000		31 March 2011 £'000
12			Property, Plant & Equipment:	
	280,189	280,995	Land & Buildings	276,732
	3,183	3,164	Community Assets	3,127
	42,488	40,349	Infrastructure	45,297
	5,213	7,317	Vehicles, Plant & Equipment	8,715
	19,086	11,828	Assets under Construction	19,186
	19,011	15,530	Surplus assets	26,022
13	217,434	218,493	Investment Property	219,289
14	785	805	Intangible Assets	848
	6	6	Long Term Investments	5
	-	-	Investments in Associates and Joint Ventures	-
	457	410	Long Term Debtors	791
	-	-	Deferred tax asset	-
	<u>587,852</u>	<u>578,900</u>	Long Term Assets	600,012
15	49,473	68,272	Short Term Investments	35,291
17	600	285	Inventories	543
18	28,902	38,262	Short Term Debtors	23,714
19	31,446	24,387	Cash and Cash Equivalents	39,757
20	1,145	1,698	Assets Held for Sale	1,898
	-	-	Current tax asset	-
	<u>111,566</u>	<u>132,904</u>	Current Assets	101,203
	(13,943)	(6,337)	Bank Overdraft	(14,790)
	-	-	Short Term Borrowing	-
21	(62,757)	(86,814)	Short Term Creditors	(56,491)
	-	-	Liabilities in disposal groups	-
	-	-	Current tax liability	-
	<u>(76,700)</u>	<u>(93,151)</u>	Current Liabilities	(71,281)
	-	-	Long Term Creditors	-
22	(570)	(714)	Provisions	(722)
15	(81,815)	(81,818)	Long Term Borrowing	(91,867)
	(210,677)	(158,932)	Other Long Term Liabilities	(170,734)
	-	-	Deferred tax liability	-
	<u>(293,062)</u>	<u>(241,464)</u>	Long Term Liabilities	(263,323)
	<u>329,656</u>	<u>377,189</u>	Net Assets	366,611
	45,812	45,790	Usable reserves	49,087
23	283,844	331,399	Unusable Reserves	317,524
	<u>329,656</u>	<u>377,189</u>	Total Reserves	366,611

CASH FLOW STATEMENT

The cash flow statement shows the changes in cash and cash flow equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

	2009/10	See Note 24 for further details	2010/11
	£'000		£'000
	(15,869)	Net surplus or (deficit) on the provision of services	(36,133)
		Adjustment to surplus or deficit on the provision of services	
A	43,690	for non cash movements	48,561
		Adjust for items included in the net surplus or deficit on the provision	
A	(64,535)	of services that are investing and financing activities	(12,481)
	(36,714)	Operating Activities	(53)
C	40,372	Investing Activities	(6,264)
D	(4,205)	Financing Activities	13,780
	(547)	Net Increase/(decrease) in cash equivalents	7,464
E	18,050	Cash & cash equivalents at the beginning of the reporting period	17,503
E	17,503	Cash & cash equivalents at the end of the reporting period	24,967

NOTES TO MAIN FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end 31 March 2011. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and supported by International Financial Reporting Standards. The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- * Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- * Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received, and their consumption, they are carried as inventories on the balance sheet.
- * Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- * Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- * Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- * Income and expenditure are credited and debited to the relevant service account, unless they properly represent capital receipts or capital expenditure.
- * Employee benefits are accounted for as they are earned.

Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Comprehensive Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent useable resources for the council - these reserves are explained in the relevant policies below. Capital reserves are not available for revenue purposes.

NOTES TO MAIN FINANCIAL STATEMENTS

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- * the authority will comply with the conditions attached to the payments, and
- * the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be transferred to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Retirement Benefits

Employees of the Council are members of two separate pension schemes:

- * The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF).
- * The Local Government Pensions Scheme, administered by Bath & North East Somerset Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Council.

However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme - no liability for future payments of benefits is recognised in the balance sheet and the Education service revenue account is charged with the employer's contributions payable to Teachers' Pensions in the year. The authority is however responsible for the costs of additional benefits awarded upon early retirement outside of the terms of the teachers scheme. These benefits are fully accrued in the pensions liability.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- * The liabilities of the Avon Pension scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- * Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bonds).
- * The assets of the Avon Pension Fund attributable to the Council are included in the balance sheet at their fair value:
 - quoted securities - bid price
 - unquoted securities - professional estimate
 - unitised securities - average of the bid and offer rates
 - property - market value.
 - The change in the net pensions liability is analysed into seven components:
 - current service cost - the increase in liabilities as result of years of service earned this year - allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
 - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the net Cost of Services in the Income and Expenditure Account as part of Non-Distributed Costs
 - interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Account
 - expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Account
 - gains/losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to the Net Cost of Services in the Comprehensive Income and Expenditure Account as part of Non-Distributed Costs
 - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.
 - contributions paid to the Avon Pension Fund - cash paid as employer's contributions to the pension fund.

NOTES TO MAIN FINANCIAL STATEMENTS

Statutory provisions limit the council to raising the council tax to cover the amounts payable by the Council to the pension fund in the year. In the Movement in Reserves Statement on the General Fund Balance this means there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2008*. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of :

- * Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.
- * Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Account, as part of Net Cost of Services.

Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment (3 years) on a straight line basis to reflect the pattern of consumption of benefits.

Property, Plant & Equipment

Property, plant and equipment are assets held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of assets (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- * dwellings, other land and buildings, vehicles, plant and equipment - fair value, unless there is no market-based evidence because of the specialist nature of the asset then depreciated replacement cost
- * infrastructure assets, community assets and assets under construction - depreciated historical cost.
- * all other assets - fair value determined as the amount that would be paid for the asset in its existing use.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values, depreciated historical cost basis is used as a proxy for fair value.

Non-current assets are valued in accordance with the Manual published by the Royal Institute of Chartered Surveyors. Valuations are undertaken by the Council's Property Services division on a 5 year rolling programme.

Assets included in the balance sheet at current value are re-valued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

Impairment: Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- * where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of accumulated gains).

NOTES TO MAIN FINANCIAL STATEMENTS

* where there is no balance or insufficient balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation: depreciation is provided for on all assets with a determinable finite life (except for investment properties) by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- * other buildings - straight-line allocation over the life of the property as estimated by the valuer
- * vehicles, plant and equipment - straight-line allocation over the life of the asset as advised by a suitably qualified officer
- * community assets - straight line allocation over the life of the property as estimated by the valuer
- * infrastructure - straight-line allocation over 10 years.

Where an asset has major components whose cost is significant in relation to the total cost of the item, with different estimated useful lives, these are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale: when it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account then reversed out in the Movement in Reserves Statement so there is no impact on the level of council tax.

Charges to Revenue for Property, Plant & Equipment

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- * depreciation attributable to the assets used by the relevant service
- * impairment losses attributable to the clear consumption of economic benefit on property, plant and equipment used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- * amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

NOTES TO MAIN FINANCIAL STATEMENTS

Revenue expenditure funded from capital by statute

Previously called 'Deferred charges' this is expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Revenue expenditure funded from capital incurred during the year has been written off as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the costs from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged on General Fund Balances in the Movement in Reserves Statement so there is no impact on the level of council tax.

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable partners at arms-length. Properties are not depreciated but are re-valued annually according to market conditions at year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rental received in relation to Investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Cash & Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in (specified period, no more than three months) or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the leases inception. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the period in which they are incurred.

Lease payments are apportioned between:

- * a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and
- * a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the assets estimated useful life.

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

NOTES TO MAIN FINANCIAL STATEMENTS

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal, matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- * a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease debtor (together with any premiums received), and
- * finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Financial Assets

- * loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market
- * available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Account is the amount receivable for the year in the loan agreement.

The Council has no soft loans.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Account.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Account.

Available-for-sale Assets

The Council has no available-for-sale assets.

NOTES TO MAIN FINANCIAL STATEMENTS

Instruments Entered into Before 1 April 2006

The council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in Policy 3.

Inventories and Work in Progress

Inventories and work in progress are included in the Balance Sheet at the lower of cost and net realisable value.

Controlled Companies

The Council has two controlled companies - Bath Tourism Plus Ltd and Connexions West of England. The turnover and assets held by these companies are not considered significant and therefore no Group Accounts have been produced. If they were material they would be treated as an investment.

Contingent Liabilities

Contingent Liabilities are not recognised in the accounting statements but disclosed by way of a note giving a brief explanation of any possible obligations and an estimate of the likely financial effect if known.

Exceptional Items

Items which require a degree of prominence in order to give a fair presentation of the accounts are shown separately on the face of the Comprehensive Income and Expenditure Account. A description of any exceptional items is given in a note to the accounts.

Joint Working Arrangements

Where the Council has a joint working arrangement with other organisations, the authority's share of income and expenditure is accounted for only in the Council's accounts. An example of this the West of England Partnership.

Comparative Figures

The 2009/10 figures have been restated based on International Financial reporting Standards.

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

Heritage Assets: Impact of the adoption of the new standard on 2011/12 financial statements

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the authority in the 2011/12 financial statements.

The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Authority's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture.

The heritage assets held by the authority are the collections of assets and artefacts either exhibited or stored in the Roman Baths Museum, Victoria Art Gallery, Museum of Costume, Bath Records Office and libraries.

The collections include:

- * archaeological artefacts and numismatic collections
- * fine and decorative art collections
- * fashionable dress, accessories and associated paperwork collections
- * rare books, maps, manuscripts and local history collections

The authority's heritage assets are currently accounted for at a proxy for historical cost as no information is available on the cost of these assets.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements, however obtaining valuations for these assets would involve a disproportionate cost in comparison to the benefits to the users of the Authority's financial statements and therefore exemption from this requirement is permitted by the 2011/12 code. The carrying value of heritage assets currently held in the Balance Sheet as Community Assets within Property, Plant and Equipment at 1 April 2010 is £100,000.

There is no depreciation charged on the heritage assets that are currently classified as community assets because it has been estimated that the assets have indeterminate lives. This assumption remains and so the policy of no depreciation on heritage assets will not change.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in note 1 the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Future Funding Levels

The Comprehensive Spending Review in October 2010 identified a significant reduction in Central Government funding for local authorities over the CSR period. The Council's medium term financial planning process is based on the anticipated implications for the Authority although at this stage it is not possible to provide an indication if any of the Council's assets might be impaired as a result of needing to close facilities and reduce future levels of service provision.

NOTES TO MAIN FINANCIAL STATEMENTS

Accounting for Elderly Peoples Extra Care Homes

The accounting treatment for two extra care homes leased to Somer Housing Trust has been reviewed following implementation of International Financial Accounting Standards and no change has been made to the way they have been accounted for.

4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2010 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

Property, Plant and Equipment Values

The Council has a large number of properties including an investment estate which are re-valued on a five year rolling programme to comply with the Statement of Recommended Practice.

Over the last two years as a consequence of the exceptional economic climate there have been falls in property values nationally. Bath has bucked this trend to a degree and arguably, over the year has been more resilient to the wide spread effects of the recession.

Indeed the Council's Investment Estate key performance indicators show that income for 2009/10 exceeded expectations. Void levels and rent payments received have also not deteriorated over the financial year and moreover rent arrears levels have reduced by 30% over this period.

The Council has undertaken a desktop re-valuation of its property assets using national indices. It has also considered other local factors, in order to determine what adjustment, if any, is required to the values derived from the normal five yearly revaluation process. The analysis has been undertaken by Bath & North East Somerset valuation officers and an independent review of the data has been undertaken by external property experts (BNP Paribas Real Estate).

The valuation dates are spread over a five year period as the council operates a five yearly valuation process. When account is taken both of the likely increase in value for those properties in the early cycle as well as recent likely fall, we are of the opinion that any overall impairment to property values is not material. An analysis shows that the perceived change in value is less than 10% for both the investment and operational estate. Consequently no

adjustments have been made to the asset values in respect of impairments other than those that have been valued as part of the normal five year programme.

This opinion has been supported by independent external advisers who have confirmed the approach taken is consistent with other public bodies and verified the analysis as accurate.

5 MATERIAL ITEMS OF INCOME AND EXPENSE

The statement of accounts in the following material items of Income & Expenditure:

	Income 2010/11 £'000	Expend 2010/11 £'000	Income 2009/10 £'000	Expend 2009/10 £'000
Stone Mines Project	(3,025)	3,551	(22,092)	22,092
Investment Estate	(15,085)	2,623	(14,000)	1,965
Roman Baths	(8,227)	2,137	(7,577)	1,950

6 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Director of Finance on 30th September 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this situation.

Transforming Community Services

The Council and NHS Bath and North East Somerset are committed to working in partnership to integrate community health and social care services. The annual value of the Council element of these services is approximately £16m.

NOTES TO MAIN FINANCIAL STATEMENTS

In November 2010, the Council agreed to a direction of travel that envisaged a transfer of these services to a social enterprise subject to a sustainable business plan. In February 2011 the Council and NHS B&NES agreed to proceed with the social enterprise in the form of a Community Interest Company limited by guarantee.

It is currently envisaged that the transfer of services and related staff will take place on 1st October 2011.

Academy Schools

These accounts reflect the appropriate transfer of assets and liabilities in respect of those schools which became Academies during the 2010/11 financial year. Subsequent to the financial year end a number of schools have or are seeking to move to Academy status as set out below:

- Trinity Primary School w.e.f.. 1 June 2011
- Hayesfield Secondary School anticipated w.e.f.. 1 August 2011
- Fosseyway Special School anticipated w.e.f.. 1 September 2011

In addition, Wellsway, Broadlands and Writhlington Secondary Schools have all made applications to the Department for Education seeking approval for Academy status. Subject to approval, we would expect these schools to transfer during the current year 2011/12 financial year.

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000's	£'000's	£'000's	£'000's
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:				
Charges for depreciation and Impairment of Non-Current Assets	54,717			(54,717)
Revaluation gains on Property Plant & Equipment	(51,071)			51,071
Movements in the Market Value of Investment Properties	(1,901)			1,901
Amortisation of Intangible Assets	675			(675)
Capital Grants & contributions applied	(11,085)			11,085
Revenue expenditure funded from Capital under Statute	17,152			(17,152)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	20,262			(20,262)
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:				
Statutory provision for the financing of capital investment capital expenditure charged against the General Fund	(2,146)			2,146
Principal repayment of Avon Loan	(685)			685
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(11,005)		11,005	
Application of grants to capital financing transferred to the Capital Adjustment Account			(14,833)	14,833
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,475)	1,475		
Use of the Capital Receipts Reserve to finance new capital expenditure		(2,384)		2,384
Contributions from the capital receipts reserve to finance payments to the Government capital receipts pool	7	(7)		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		15		
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(15)			(15)
				174

NOTES TO MAIN FINANCIAL STATEMENTS

Adjustments primarily involving the Pensions Reserve:

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement		14,777
Employer's pensions contribution and direct payments to pensioners payable in the year	(8,670)	8,670
	(15,812)	15,812

Adjustments primarily involving the Collection Fund

Adjustment Account:

Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	130	(130)
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Adjustments primarily involving the Accumulated Absences

Account:

Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(172)	172
Other movements	9,725	2,921
Total Adjustments	(1,369)	(901)

(3,828) 33,680

8 GENERAL FUND BALANCES AND RESERVES

This note sets out the amounts set-a-side from the general Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11.

Unearmarked Reserves

	31 March 2010 £'000	transfers to £'000	transfers from £'000	31 March 2011 £'000
General Fund Balances unearmarked	14,638	8,623	(9,992)	13,269

Earmarked Reserves

	31 March 2010 £'000	transfers to £'000	transfers from £'000	31 March 2011 £'000
LMS Schools Balances	3,084	163	(733)	2,514
Corporate Earmarked Reserves	15,791	19,787	(10,751)	24,827
Service Specific Reserves	777	163	(116)	824
General Service Earmarked Reserves	1,403	958	(100)	2,261
	21,055	21,071	(11,700)	30,426

Total General Fund Balances and Reserves

	35,693	29,694	(21,692)	43,695
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	31 March 2010 £'000	transfers to £'000	transfers from £'000	31 March 2011 £'000
Corporate Earmarked Reserves				
Insurance Fund	1,324	6	(249)	1,081
Service Supported Borrowing	668	199	-	867
Revenue Funding of capital	-	2,072	(1,768)	304
Exceptional Risk Reserve	188	35	(35)	188
Affordable Housing & Capital Development	3,000	-	-	3,000
Revenue Budget Contingency Reserve	1,045	3,054	(3,054)	1,045
Medium Term Financial Challenge Reserve	3,607	2,538	(303)	5,842
Restructuring Reserve	2,000	3,598	-	5,598
Pensions Increase Reserve	1,000	2,082	(3,082)	-
Other	2,959	6,202	(2,259)	6,902
	15,791	19,786	(10,750)	24,827

The Insurance Fund exists in order to meet the cost of claims which fall below the policy excesses.

NOTES TO MAIN FINANCIAL STATEMENTS

	31 March 2010 £'000	transfers to £'000	transfers from £'000	31 March 2011 £'000
General Service Earmarked Reserves				
Replacement PC's Reserve	423	59		482
Desktop Licences Reserve	503	16		519
Resources Systems Reserve	147		(79)	68
Ward Councillors Initiatives Reserve	24	-	(21)	3
Finance VAT Advice Reserve	100	100	-	200
Youth Services		75		75
Adult Services RE-Enablement		708		708
Heritage Services Reserve	206	-	-	206
	1,403	958	(100)	2,261

9 OTHER OPERATING EXPENDITURE

	2010/11 £'000	2009/10 £'000
Gain/Loss on disposal of non-current assets	20,262	(2,364)
Parish Precepts	1,985	1,927
Levy payments to joint bodies	221	218
Contribution to Housing Pooled Receipts	7	12
	22,475	(207)

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2010/11 £'000	2009/10 £'000
Interest Payable	4,624	4,457
Interest & Investment Income	(789)	(1,261)
Net Deficit/(Surplus) on Trading Services	(159)	(337)
Income & expenditure in relation to Investment properties and changes in fair value	(12,462)	(8,769)
Pensions Interest Cost & Expected Return on Pension Assets	7,851	12,201
	(935)	6,291

11 TAXATION AND NON-SPECIFIC GRANT INCOME

	2010/11 £'000	2009/10 £'000
Council Tax Income	(77,628)	(76,504)
Non domestic rates	(36,289)	(32,493)
Non ring fenced government grants	(15,571)	(14,993)
Capital grants and contributions	(11,005)	(17,161)
	(140,493)	(141,151)

12 PROPERTY, PLANT & EQUIPMENT

Movement in 2010/11

	Other Land & Buildings £'000	Community Assets £'000	Infrastructure Assets £'000	Veh'cls, Plant & Equipment £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property Plant & Equipment £'000
Cost or valuation as at 1 April 2010	297,005	3,605	50,372	10,777	19,086	19,011	399,856
Adjustment to opening balance	(6)						(6)
Additions	12,990	183	7,601	5,204	6,936	628	33,542
Impairment	(39,511)	(85)	-	-	-	(53)	(39,649)
De-recognition - Disposals	(19,537)	-	-	(32)	-	-	(19,569)
Revaluations increases/decreases	52,127	111	-	-	-	799	53,037
recognised in the Revaluation Reserve				-	-		-
Assets reclassified to/from Held for sale	(110)				-	(1,200)	(1,310)
Reclassifications - other					-		-
Valuation as at 31 March 2011	302,958	3,814	57,973	15,949	26,022	19,185	425,901

NOTES TO MAIN FINANCIAL STATEMENTS

Accumulated Depreciation and Impairment

Accumulated depreciation as at 1 April 2010	(16,816)	(423)	(7,884)	(5,564)	-	-	(30,687)
Depreciation charge in year	(8,391)	(265)	(4,791)	(1,669)	-	-	(15,116)
Depreciation written out to the Revaluation Reserve							-
Impairment losses/(reversals) recognised in the Revaluation Reserve	(1,199)						-
Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services							
De-recognition - disposals							
Other Movements in Depreciation & Impairment	179						179
Accumulated depreciation at 31 March 2011	(26,227)	(688)	(12,675)	(7,233)	-	-	(46,823)
Balance sheet amount 31 March 2011	276,731	3,126	45,298	8,716	26,022	19,185	379,078
Balance sheet amount 1 April 2010	280,189	3,182	42,488	5,213	19,086	19,011	369,169

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Other Land and Buildings	30 - 50 years
Vehicles, Plant and Equipment	3 - 10 years
Infrastructure	10 years

Capital Commitments

At 31 March 2011 the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £14.4m.

The major commitments are:

	2010/11 £'000	2009/10 £'000
Resources (Property) Schemes	1,313	-
Housing - General Fund	1,453	1,640
Education & Children's Services	3,857	4,812
Combe Down Stone Mines (costs will be met by English Partnerships)	-	746
Public Realm	401	397
BWR (Infrastructure & Affordable Housing)	6,101	
Highways & Bridge Strengthening	526	2,230
Waste Services	791	
Adult Social Services	-	-
	14,442	9,825

Revaluations

The Authority carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

	Other Land & Buildings £'000	Veh'cls, Plant & Equipment £'000	Surplus Assets £'000	Total £'000
Valued at fair value as at:				
31 March 2011	276,732	8,715	19,205	304,652
31 March 2010	280,189	5,213	19,015	304,417
31 March 2009	280,995	7,317	15,530	303,842

NOTES TO MAIN FINANCIAL STATEMENTS

13 INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2010/11	2009/10
	£'000	£'000
Rental Income from Investment Property	15,085	14,000
Direct operating expenses arising from Investment Property	(2,623)	(1,965)
Net gain/(loss)	12,462	12,035

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year.

	2010/11	2009/10
	£'000	£'000
Balance at start of year	217,434	218,496
Adjustment to opening balance		454
Additions of expenditure	90	204
Disposals	(136)	(214)
Net gains/losses from fair value adjustments	1,901	(2,139)
Transfer to/from Property, Plant & Equipment	-	633
Balance at end of the year	219,289	217,434

14 INTANGIBLE ASSETS

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, Plant and Equipment. All software is given a finite useful life based on assessments of the period that the software is expected to be of use to the Authority.

The carrying amount of intangible assets is amortised on a straight-line basis over a 3 year period.

	2010/11	2009/10	2008/09
	£'000	£'000	£'000
Cost or valuation as at 1 April 2010	1,526	953	287
Purchases	738	573	666
Cost or valuation as at 31 March 2011	2,264	1,526	953
Accumulated depreciation as at 1 April 2010	741	148	9
Depreciation for the period	675	593	139
Accumulated depreciation at 31 March 2011	1,416	741	148
Net Carrying amount at 31 March 2011	848	785	805

NOTES TO MAIN FINANCIAL STATEMENTS

15 FINANCIAL INSTRUMENTS

Balances: The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments.

	Long-Term		Current	
	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000
Financial liabilities at amortised cost - loans	80,493	90,490	-	-
Accrued Interest (1)			1,321	1,377
Financial liabilities at amortised cost trade creditors			41,631	33,730
Total borrowings	80,493	90,490	42,952	35,107

The Council does not have any Financial Liabilities at fair value through profit and loss.

	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000
Loans & receivables (cash on deposit)	-	-	69,300	64,000
Accrued Interest (1)			294	356
Loans & receivables - trade debtors			5,468	11,170
Total Investments	-	-	75,062	75,526

(1) Accrued interest reflects interest on financial liabilities/loans & receivables which is payable within 12 months of the balance sheet date.

The Council does not have any Available for Sale Assets or Unquoted Equity Instruments at Cost.

The Council has not granted any financial guarantees or soft loans.

Financial Instruments Gains & Losses

	Financial Liabilities 31 March 2010 Liabilities measured at amortised cost £'000	Financial Assets 31 March 2010 Loans & Receivables £'000		Financial Liabilities 31 March 2011 Liabilities measured at amortised cost £'000	Financial Assets 31 March 2011 Loans & Receivables £'000	
Interest Expense *	(3,426)	-	(3,426)	(3,828)	-	(3,828)
Interest payable & similar charges	(3,426)	-	(3,426)	(3,828)	-	(3,828)
Interest Income	-	1,248	1,248	-	760	760
Interest & investment Income	-	1,248	1,248	-	760	760
Net gain/(loss) for the Year	(3,427)	1,248	(2,178)	(3,828)	760	(3,068)

*The Council also paid £1.48m (of which £0.68m related to principle), in respect of its share of debt relating to the former Avon County Council which is managed by Bristol City Council.

The fall in interest income achieved in 2010/11 compared to 2009/10 reflects the reduction in the average interest rate achieved on investments.

Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions.

+ cash flows arising from Public Works Loan Board loans have been discounted at the premature repayment rates published by the Board, so that the fair value equals the amount at which the authority could repay its loans on balance sheet date.

+ cash flows arising from "lender's option borrower's option" (LOBO) loans have been discounted using a rate of 0.65% below comparative PWLB repayment rates reflecting the value of 6 monthly options to the lender.

+ For investments, rates were obtained from the market on 31st March by our Treasury advisors, taking into account the credit rating of the counterparty.

NOTES TO MAIN FINANCIAL STATEMENTS

+ cash flows arising from investments have been discounted at money market rates available for investments of similar remaining maturities on the balance sheet date.

+ the fair value of trade receivables and payables is taken to be the invoiced amount.

+ The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value in the Balance Sheet. Since this will include accrued interest as at the balance sheet date we have also included accrued interest in the fair value calculation.

The fair values calculated are as follows:

	31 March 2010		31 March 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities - PWLB Loans	60,914	59,705	70,970	72,523
Financial Liabilities - Market Loans	20,901	24,295	20,897	25,134
Financial Liabilities - trade creditors	41,631	41,631	33,730	33,730
	123,446	125,631	125,597	131,387

The fair value as at 31st March 2010 on PWLB and market loans is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the premature repayment rates available for similar loans at the Balance Sheet date. This commitment to pay interest above market exit prices increases the amount that the Council would have to pay if it requested early repayment of the loan.

	31 March 2010		31 March 2011	
	£'000	£'000	£'000	£'000
Loans & Receivables - investments	69,594	69,687	64,356	64,399
Loans & Receivables - trade debtors	5,468	5,468	11,170	11,170

The fair value of loans and receivables is slightly higher than the carrying amount as at 31st March 2011 due to fixed interest investments being held by the authority where the interest rate is higher than the prevailing rate estimated to be available on the balance sheet date.

Disclosure of nature and extent of risks arising from financial instruments

The authority's activities expose it to a variety of financial risks:

* credit risk - the possibility that other parties might fail to pay amounts due to the authority

* liquidity and refinancing risk - the possibility that the authority might not have funds available, or that it may have to borrow funds at a high rate of interest, to meet its financial obligations.

* market risk - the possibility that changes in market variables such as interest rates and asset prices may place an unexpected burden on the authority's finances.

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk interest rate risk and investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. The Council's approved Treasury Management Strategy for 2010/11 set the minimum credit ratings for the banks and financial institutions with which deposits can be made. The minimum credit ratings were Short-term rating F1 or equivalent, Long-term rating A or equivalent, and Support rating 3 or equivalent. The Council also set additional criteria in relation to the time limit and amount of monies which will be invested with financial institutions based on the level of their credit rating with a maximum lending limit £20m restricted to specified UK banks, on the basis that they either had already or were likely to receive support from the UK Government should they experience financial difficulties. Investments in UK Building Societies that did not meet the minimum credit criteria but had been issued an eligibility certificate under the UK Government Credit Guarantee Scheme were permitted subject to the Society having a minimum asset size of £4bn.

Investments in foreign countries will be limited to those that hold a AAA or AA+ sovereign credit rating from all three major credit rating agencies, and to a maximum of £15 million per country. Banks that are domiciled in one country but are owned in another country will need to meet the rating criteria of and will count against the limit for both countries. There is no limit on investments in the UK.

NOTES TO MAIN FINANCIAL STATEMENTS

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectibility over the last five years, adjusted to reflect current market conditions.

	Amount at 31 March 2011	Historical Experience of default	Historical experience adjusted for market conditions at 31 March 2011	Estimated maximum exposure to default & uncollectibility
	£'000	%	%	£'000
Deposits with banks & financial institutions (grouped by LT credit rating):				
Banks with Fitch rating AA/AA-	20,140	0.03	0.03	6
Banks with Fitch rating of A	44,216	0.08	0.08	34
Total deposits with Banks & Financial Institutions	64,356	-	-	40

	2011	2010
Trade Debtors	11,170	5,468
Total debtors at 31st March including trade debtors	23,714	31,854

The historical experience of default for deposits is based on credit rating agencies records since 1981 adjusted for current market conditions.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non performance by any of its counterparties in relation to deposits due to its tight investment policy.

The authority does not generally allow credit for customers, such that the balance of £11.1m outstanding at 31st March 2011 is all past its due date for payment.

The past due amount can be analysed by age as follows:

	2010/11 £'000's	2009/10 £'000's
Less than three months	9,259	4,003
Three to six months	471	332
Six months to one year	557	336
More than one year	883	797
	11,170	5,468

The following table provides analysis of investment balances (including accrued interest) as at 31st March by the country of the counterparty. If the financial institution is part of a group, the country is assessed by the parent financial institution.

	Amount at 31 March 2,010 £'000's	%	Amount at 31 March 2,011 £'000's	%
Loans & Receivables (Cash on Deposit) by Country Analysis				
UK Debt Management Office	8,300	11.9%	-	0.0%
UK - Other Financial Institutions	41,169	59.2%	49,324	76.6%
Australia	5,000	7.2%	5,003	7.8%
Singapore	5,008	7.2%	5,000	7.8%
Spain	5,071	7.3%	-	0.0%
Sweden	5,046	7.3%	5,028	7.8%
Total	69,594	100%	64,356	100%

Liquidity and Refinancing Risk

As the authority has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. Following the recent transition from being debt free, with long term borrowing only starting in 2004/05, the Council's debt maturity profile is mainly in the 40+ year range, with the earliest maturity in 2034/35. As the borrowing portfolio develops in the future the maturity profile will be structured to ensure an even spread.

NOTES TO MAIN FINANCIAL STATEMENTS

The maturity analysis of borrowing is as follows:

	31 March 2010 £'000	31 March 2011 £'000
Borrowing due for repayment:		
Between 20 and 25 years	10,000	15,000
Between 40 and 45 years	50,227	60,490
Between 45 and 50 years	20,266	15,000
	<u>80,493</u>	<u>90,490</u>

Trade creditors and interest on borrowing are not included in the above table. They fall due to be paid in less than one year.

The Council does hold £20m of borrowing through loans called LOBOs (Lenders Option Borrowers Option) where after an initial fixed interest period, the lender has six monthly options to increase the coupon rate of the loan. If the lender decided to increase the coupon rate the Council would have the option to either agree the increased rate or to repay the loan. In the event that the Council decided to repay the loan and long term rates were unfavourable, it is likely that short term borrowing would be undertaken until long term rates return to target levels. The fixed interest period has expired on all LOBO loans and the lender has options to change the rate of interest in April and October of each year for as long as the loan continues.

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following impact:

- * borrowings at variable rates - the interest expense charged to the Income and Expenditure Account will rise
- * borrowings at fixed rates - the fair value of the liabilities borrowings will fall
- * investments at variable rates - the interest income credited to the Income and Expenditure Account will rise
- * investments at fixed rates - the fair value of the assets will fall.

Borrowings and fixed rate investments are not carried at fair value, so nominal gains and losses on fixed rate borrowings & investments would not impact on the Surplus or Deficit on the Provision of Services or the Income and Expenditure Account. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance £ for £.

To manage the interest rate risk, a maximum limit for net borrowing at variable interest rates is set at £20m.

The effect of interest rates is monitored throughout the year and the impacts are reflected in budget monitoring reports which identify performance against the budget. This allows any adverse changes to be accommodated.

For indication purposes, at 31st March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(243)
Impact on Income and Expenditure Account	<u>(243)</u>
Decrease in fair value of fixed rate investment assets (no impact on I & E)	84
Decrease in fair value of fixed rate borrowing liabilities (no impact on I & E)	<u>16,274</u>

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The authority does not invest in equity shares and doesn't have shareholdings in any joint ventures and is therefore not exposed to losses arising from movements in the prices of shares. Changes in the price of fixed interest investments are managed as part of the authority's interest rate risk management strategy.

Foreign Exchange Risk

The authority has no financial assets or liabilities denominated in foreign currencies and it makes few purchases or sales in foreign currencies. It therefore has no material exposure to loss arising from movement in exchange rates.

16 Financial Instruments Adjustment Account & Available-for-Sale Instruments Reserve

There are no balances or transactions on these accounts.

NOTES TO MAIN FINANCIAL STATEMENTS

17 INVENTORIES

	Opening Balances	Purchases	Recognised as expense in year	Written off Balances	Balance 2010/11
	£'000	£'000	£'000	£'000	£'000
Consumable Stores	370	29	(8)	(8)	383
Maintenance Materials	0				0
Client Services Work in Progress	230	50	(120)		160
Total Inventories	600	79	(128)	(8)	543

18 DEBTORS

	2010/11 £'000	2009/10 £'000	2008/09 £'000
Amounts falling due in one year:			
Central Government bodies	6,095	3,578	3,327
Other local authorities	855		
NHS bodies	208		
Public corporations and trading funds	-		
Other entities and individuals	12,319	21,355	30,896
Prepayments	4,237	3,968	4,039
Total - Current Assets	23,714	28,902	38,262

19 CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

	2010/11 £'000	2009/10 £'000	2008/09 £'000
Cash held by the authority	93	97	96
Bank current accounts	10,599	11,228	10,388
Short-term deposits	29,065	20,121	13,903
Total cash and cash equivalents	39,757	31,446	24,387

20 ASSETS HELD FOR SALE

	Current			Non-Current		
	2010/11 £'000	2009/10 £'000	2008/09 £'000	2010/11 £'000	2009/10 £'000	2008/09 £'000
Balance outstanding at start of year	1,145	1,698	-			
Assets newly classified as held for sale:			1,698			
Property, Plant & Equipment	1,310	1,145		-	-	
Revaluation gains/(losses)	0					
Assets declassified as held for sale:						
Assets sold	(557)	(1,698)				
Balance outstanding at year end	1,898	1,145	1,698	-	-	-

21 CREDITORS

	2010/11 £'000	2009/10 £'000	2008/09 £'000
Central government bodies	6,363	3,602	4,512
Other local authorities	3,804	3,490	
NHS bodies	1,333		
Public corporations and trading funds	2		
Other entities and individuals	32,552	37,541	40,791
Income Received in Advance	10,758	7,945	10,006
Pensions Fund	1,679	10,179	29,632
	56,491	62,757	84,941

NOTES TO MAIN FINANCIAL STATEMENTS

22 PROVISIONS FOR LIABILITIES

Provisions comprise:	Opening balance £'000	New Provisions £'000	Utilised in Year £'000	Written Back £'000	31 March 2011 £'000
Social Services	56		(56)		-
Spa Right of Lights Provision	38				38
Provision for Child Care Costs	444		(114)		330
Chew Valley Bus Partnership	32				32
Children's Services Provision	-	32			32
Landfill Provision	-	6			6
Land Charge Fee Provision	-	34			34
Planning Provision	-	250			250
	570	322	(170)	-	722

- * The Social Services provision was for a compensation claim.
- * The Spa right of lights provision is in relation to a possible claim arising from the Spa project.
- * The provision for child care costs is to provide for fees and charges in relation to a recent court case, the amount of which is unknown.
- * Chew Valley Bus Partnership is a provision for repayment of grant funding not spent.
- * The Children's Services Provision is for an employee claim.
- * The Land Charges Fee Provision is for search fee claims.
- * The Planning Provision is for a compensation claim.

The amounts payable and the timing of the outflow of economic benefits is unknown.

23 UNUSABLE RESERVES

	2010/11 £'000	2009/10 £'000	2008/09 £'000
Revaluation Reserve	62,653	11,283	6,876
Capital Adjustment Account	409,424	466,574	465,915
Deferred Capital Receipts Reserve	498	339	359
Accumulated Absences Account	(1,590)	(1,762)	(1,873)
Pensions Reserve	(154,304)	(193,563)	(141,136)
Collection Fund Adjustment Account	843	973	1,258
Total Unusable Reserves	317,524	283,844	331,399

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- * re-valued downwards or impaired and the gains are lost
- * used in the provision of services and the gains are consumed through depreciation, or
- * disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2010/11 £'000	2009/10 £'000	2008/09 £'000
Balance at 1 April	11,283	6,876	6,132
Impairment of fixed assets	(1,251)		
Upwards revaluation of assets	52,323	4,954	1,939
Downwards revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services		(279)	(763)
Transfer of depreciation on re-valued assets	(216)	(265)	(299)
Transfer of revaluation reserve balance on asset disposal	514	-	(81)
Impairment of fixed assets - consumption of economic benefits		-	(52)
Impairment of fixed assets - transfer		(3)	
Balance at 31 March	62,653	11,283	6,876

NOTES TO MAIN FINANCIAL STATEMENTS

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The account is credited with the amounts set aside by the Authority as finance for the cost of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2010/11 £'000	2010/11 £'000	2009/10 £'000
Balance at 1 April		466,569	483,744
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	(15,117)		(16,353)
Revaluation losses on Property, Plant & Equipment	(39,886)		(15,672)
Amortisation of intangible assets	(675)		(593)
Revenue expenditure funded from capital under statute	(17,152)		(46,628)
Grant funding of revenue expenditure funded from capital under statute	11,085		44,070
		(61,745)	(35,176)
Adjusting amounts written out of the Revaluation Reserve		(298)	572
Net written out amount of the cost of non-current assets consumed in the year		(62,043)	(34,604)
Capital financing applied in the year:			
Use of capital receipts reserve to finance new capital expenditure	2,384		4,657
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	15,097		
Capital expenditure charged against the General Fund	1,769		598
Statutory provision for the financing of capital investment charged against the General Fund	2,146		1,986
		21,396	7,241
Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement		1,901	9,482
Deferred liability - Repayment of Avon Loan Debt		685	713
Carrying value of fixed assets disposed of		(20,262)	(1,784)
Other movements		1,178	1,782
Balance at 31 March		409,424	466,574

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2010/11 £'000	2009/10 £'000	2008/09 £'000
Balance at 1 April	(193,563)	(141,136)	(154,340)
Actuarial gains or losses on pensions assets and liabilities	14,777	(47,070)	18,619
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	8,670	(20,946)	(19,962)
Employer's pensions contributions and direct payments to pensioners payable in the year	15,812	15,589	14,547
Balance at 31 March	(154,304)	(193,563)	(141,136)

NOTES TO MAIN FINANCIAL STATEMENTS

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2010/11 £'000	2009/10 £'000	2008/09 £'000
Balance at 1 April	339	359	89
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	174	-	288
Transfer to the Capital Receipts Reserve upon receipt of cash	(15)	(20)	(18)
Balance at 31 March	498	339	359

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2010/11 £'000	2009/10 £'000	2008/09 £'000
Balance at 1 April	973	1,255	-
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(130)	(282)	1,255
Balance at 31 March	843	973	1,255

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2010/11 £'000	2010/11 £'000	2009/10 £'000
Balance at 1 April		(1,762)	(1,873)
Settlement or cancellation of accrual made at the end of the preceding year	1,762		1,873
Amounts accrued at the end of the current year	(1,590)		(1,762)
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		172	(1,762)
Balance at 31 March		(1,590)	(1,762)

24 CASH FLOW STATEMENT

Note A to the cashflow statement

	2010/11 £'000	2009/10 £'000
Net Surplus or (Deficit) on the Provision of Services	(36,133)	(15,869)
<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>		
Depreciation	15,117	16,353
Impairment and downward valuations	39,886	15,180
Amortisation	675	593
Adjustments for effective interest rates	52	(3)
Increase/Decrease in Interest Creditors	(1)	(1)
Increase/Decrease in Creditors	(14,385)	(22,892)
Increase/Decrease in Interest and Dividend Debtors	1,007	1,032
Increase/Decrease in Debtors	4,429	6,768
Increase/Decrease in Inventories	57	(315)
Capital Grants received in advance	2,056	
Pension Liability	(1,717)	6,536
Pension Fund Gains on Past Service Costs	(31,603)	
Contributions to/(from) Provisions	152	(144)
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	20,262	1,784
Carrying amount of short and long term investments sold	14,182	18,799
Movement in investment property values	(1,901)	
Other movements	293	
	48,561	43,690

NOTES TO MAIN FINANCIAL STATEMENTS

Note A to the cashflow statement continued

Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities

Capital Grants credited to surplus or deficit on the provision of services	(11,005)	(59,885)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(1,476)	(4,650)
	(12,481)	(64,535)
Net Cash Flows from Operating Activities	(53)	(36,714)

Note B to the Cash Flow Statement - Operating Activities (Interest)

	2010/11 £'000	2009/10 £'000
Operating activities within the cashflow statement include the following cash flows relating to interest		
Ordinary interest received	789	1,261
Opening Debtor	294	738
Closing Debtor	(713)	(294)
Interest Received	1,796	2,293
Interest charge for year	(4,624)	(4,457)
Adjustment for difference between effective interest rates and actual interest payable	52	(3)
Opening Creditor	(1)	-
Closing Creditor		1
Interest Paid	(4,573)	(4,459)

Note C to the Cash Flow Statement - Cash Flows from Investing Activities

	2010/11 £'000	2009/10 £'000
Property, Plant and Equipment Purchased	(34,370)	(27,278)
Opening Capital Creditors	(3,151)	(4,043)
Closing Capital Creditors	7,760	3,151
Movement on other capital creditors	(1)	
Purchase of Property, Plant and Equipment, investment property and intangible assets	(29,762)	(28,170)
Long term loans granted	(314)	
Proceeds from the sale of property plant and equipment, investment property and intangible assets	722	4,667
Other capital cash receipts	549	347
Capital Grants Received	22,542	63,528
Other Receipts from Investing Activities	23,091	63,875
Total Cash Flows from Investing Activities	(6,264)	40,372

Note D to the Cash Flow Statement - Cash Flows from Financing Activities

	2010/11 £'000	2009/10 £'000
Cash receipts of long term borrowing	10,000	
Billing Authorities - Council Tax and NNDR adjustments	4,176	(2,114)
Precepting Authorities Only - Appropriation to/from Collection Fund Adjustment Account	288	(1,298)
Repayment of Short-Term and Long-Term Borrowing	(684)	(744)
Payments for the reduction of a finance lease liability	-	(49)
Total Cash Flows from Financing Activities	13,780	(4,205)

Note E - Makeup of Cash and Cash Equivalents

	2010 £'000	2009 £'000
Cash and Bank Balances	10,692	11,325
Cash Investments - regarded as cash equivalents	29,065	20,121
Bank Overdraft	(14,790)	(13,943)
	24,967	17,503

NOTES TO MAIN FINANCIAL STATEMENTS

25 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- * no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- * the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- * expenditure on some support services is budgeted for centrally and not charged to portfolios

Portfolio Income & Expenditure 2010/11	Service Delivery	Children's Services	Adult Social & Housing Services	Resources	Development & Major Projects	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other income	(47,010)	(22,176)	(35,568)	(50,388)	(1,260)	(156,402)
Government grants	(2,793)	(133,249)	(4,539)	(58,099)	(294)	(198,974)
Total Income	(49,803)	(155,425)	(40,107)	(108,487)	(1,554)	(355,376)
Employee expenses	28,870	109,381	18,259	23,815	1,917	182,242
Other service expenses	43,537	60,971	68,999	92,117	1,457	267,081
Support service recharges	9,094	9,371	3,919	10,256	249	32,889
Total Expenditure	81,501	179,723	91,177	126,188	3,623	482,212
Net Expenditure	31,698	24,298	51,070	17,701	2,069	126,836

Portfolio Income & Expenditure 2009/10	Service Delivery	Children's Services	Adult Social & Housing Services	Resources	Development & Major Projects	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other income	(44,929)	(21,710)	(34,916)	(49,084)	(1,331)	(151,970)
Government grants	(1,557)	(125,998)	(6,480)	(53,119)	(30)	(187,184)
Total Income	(46,486)	(147,708)	(41,396)	(102,203)	(1,361)	(339,154)
Employee expenses	29,558	112,117	18,590	23,638	1,871	185,774
Other service expenses	41,780	52,282	65,839	81,035	5,496	246,432
Support service recharges	7,330	8,576	3,779	9,387	152	29,224
Total Expenditure	78,668	172,975	88,208	114,060	7,519	461,430
Net Expenditure	32,182	25,267	46,812	11,857	6,158	122,276

Reconciliation of Portfolio Income & Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2010/11	2009/10
	£'000	£'000
Net expenditure in the portfolio analysis	126,836	122,276
Net expenditure of services and support services not included in the analysis	(1,774)	(6,880)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	53,000	27,264
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	8,627	8,276
Cost of Services in Comprehensive Income and Expenditure Statement	186,689	150,936

NOTES TO MAIN FINANCIAL STATEMENTS

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11	Portfolio Analysis	Services & Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(156,402)			-		(156,402)	-	(156,402)
Interest & Investment income				789		789	(789)	-
Income from council Tax				12,462		12,462	(12,462)	-
Government grants & contributions	(198,974)					(198,974)	(140,493)	(339,467)
Total Income	(355,376)	-	-	13,251	-	(342,125)	(153,744)	(495,869)
Employee expenses	182,242			-		182,242	(23,752)	158,490
Other service expenses	267,081	(1,774)	(1,717)	-		263,590	2,047	265,637
Support service recharges	32,889					32,889		32,889
Depreciation, amortisation & impairment			15,791			15,791		15,791
			38,926			38,926		38,926
Interest payments				(4,624)		(4,624)	4,624	-
Precepts & levies		-		-		-		-
Payments to housing						-		-
Capital Receipts Pool						-	7	7
Gain or loss on disposal of Fixed Assets						-	20,262	20,262
Total Expenditure	482,212	(1,774)	53,000	(4,624)	-	528,814	3,188	532,002
Surplus or deficit on the provision of services	126,836	(1,774)	53,000	8,627	-	186,689	(150,556)	36,133

2009/10	Portfolio Analysis	Services & Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(151,970)					(151,970)		(151,970)
Interest & Investment income		-		1,261		1,261	(1,261)	-
Income from council Tax				11,472		11,472	(11,472)	-
Government grants & contributions	(187,184)		-			(187,184)	(141,151)	(328,335)
Total Income	(339,154)	-	-	12,733	-	(326,421)	(153,884)	(480,305)
Employee expenses	185,774		(5,354)			180,420	12,201	192,621
Other service expenses	246,432	(6,880)				239,552	2,380	241,932
Support service recharges	29,224					29,224		29,224
Depreciation, amortisation & impairment		-	32,618			32,618		32,618
Interest payments		-		(4,457)		(4,457)	4,457	-
Precepts & levies						-		-
Payments to housing						-		-
Capital Receipts Pool		-	-			-	12	12
Gain or loss on disposal of Fixed Assets		-	-			-	(2,364)	(2,364)
Total Expenditure	461,430	(6,880)	27,264	(4,457)	-	477,357	18,817	496,174
Surplus or deficit on the provision of services	122,276	(6,880)	27,264	8,276	-	150,936	(135,067)	15,869

NOTES TO MAIN FINANCIAL STATEMENTS

26 TRADING OPERATIONS

The Council has the following Trading Services which are required to operate in a commercial environment and balance their budget by generating income from providing services to the public and other organisations, or as support functions to other frontline Council Departments.

	2010/11 Income £'000	2010/11 Expend £'000	Deficit/ (Surplus) £'000	2009/10 £'000	2008/09 £'000
School and Other Catering	(3,031)	3,239	208	239	89
Cleaning Services	(928)	797	(131)	(141)	(131)
Fleet Management	(1,882)	2,007	125	(41)	21
Passenger Transport Services	(5,335)	5,550	214	(58)	(7)
Trade Refuse Collection	(554)	258	(296)	(259)	(121)
Grounds Maintenance	(3)	28	25	79	123
Building Maintenance	(995)	973	(22)	(1)	116
Print Services	(555)	594	39	35	20
Bath Museum Shops	(2,048)	1,727	(321)	(181)	(169)
Surplus for Year	(15,331)	15,172	(159)	(328)	(59)

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Authority's services to the public whilst others are support services to the Authority's services to the public. The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations. Only a residual amount of the net surplus on trading operations is charged as Financing and Investment Income and Expenditure.

	2010/11 £'000	2009/10 £'000	2008/09 £'000
Net surplus on trading operations	(159)	(328)	(59)
Services to the public included in Expenditure of Continuing Operations	(400)	(420)	(58)
Support services recharged to Expenditure of Continuing Operations	241	92	(1)
Net Surplus credited to Other Operating Expenditure	(159)	(328)	(59)

27 POOLED FUNDING

The Council established a partnership agreement with Bath and North East Somerset Primary Care Trust (PCT), the Probation Service and Avon and Somerset Police using powers under Section 31 of the Health Act 1999 to pool funds and create a single budget. The budget is used to commission Drug and Alcohol Treatment Services for Adults and Substance Misuse Services for Young People.

	2010/11 £'000	2009/10 £'000	2008/09 £'000
Balance Brought Forward from previous year	43	49	38
Gross Funding			
Bath & North East Somerset Council	541	522	763
Bath & North East Somerset Council Community Safety	20	27	
Bath & North East Somerset Council Area Based Grant	57	56	
Bath & North East Somerset Council LAA Funding		15	
Bath & North East Somerset Primary Care Trust	881	779	752
South Gloucestershire Primary Care Trust	4	4	4
Bristol & Bristol South West Primary Care Trust	10	10	10
North Somerset Primary Care Trust	3	3	3
Probation Service (Avon & Somerset)	19	19	19
Home Office	137	136	137
Youth Justice Board		-	25
National Agency Treatment Plan (Dept of Health)	1,208	1,078	1,037
Interest on External Funding Balances	3	5	24
Total Funding	2,926	2,703	2,812

NOTES TO MAIN FINANCIAL STATEMENTS

Expenditure

Spend on drug and alcohol services for Adults	2,773	2,593	2,510
Spend on drug and alcohol services for Young People	67	67	254
Total Expenditure	2,840	2,660	2,764
Net Underspend to be carried forward	86	43	48

The Council established a partnership agreement with Bath and North East Somerset Primary Care Trust (PCT) , using powers under Section 31 of the Health Act 1999 to pool funds and create a single budget to provide services to adults with learning difficulties.

	2010/11 £'000	2009/10 £'000	2008/09 £'000
Balance Brought Forward from previous year	-	-	-
Gross Funding			
Bath & North East Somerset Council	12,065	10,895	13,570
Bath & North East Somerset Primary Care Trust	8,715	10,190	6,100
Bath & North East Somerset Council Area Based Grant	113	112	
Department of Health Campus Closure Grant	51	43	17
Interest on External Funding Balances	41	61	156
Other Income	13	13	13
Total Funding	20,998	21,314	19,856
Total Expenditure	20,998	21,314	19,856
Net Underspend /over spend	-	-	-

The Council established a partnership agreement with Bath and North East Somerset Primary Care Trust (PCT) , using powers under Section 31 of the Health Act 1999 to pool funds and create a single budget to provide equipment for the community.

	Equipment	Rails	2010/11 £'000	2009/10 £'000	2008/09 £'000
Gross Funding					
Bath & North East Somerset Council			319	278	280
Bath & North East Somerset Primary Care Trust			247	215	214
Interest on External Funding Balances			1	1	3
Total Funding			567	494	497
Spend on community equipment services			476	413	412
Spend on rail contract			91	81	85
Total Expenditure			567	494	497
Net Underspend / overspend			-	-	-

The Council established a partnership agreement with Bath and North East Somerset Primary Care Trust (PCT) , using powers under Section 31 of the Health Act 1999 to pool funds and create a single budget to provide services to children with multiple and complex needs.

	2010/11 £'000	2009/10 £'000	2008/09 £'000
Gross Funding			
Bath & North East Somerset Council	2,484	2,487	2,406
Bath & North East Somerset Primary Care Trust	131	127	125
Total Funding	2,615	2,614	2,531
Total Expenditure	2,289	2,516	2,523
Net Underspend	326	98	8

NOTES TO MAIN FINANCIAL STATEMENTS

28 MEMBERS ALLOWANCES

The total cost of Members Allowances for 2010/11 including employers national insurance, pensions contributions and expenses was £888,623 (£900,977 in 2009/10).

Payments to Members listed below do not include the cost of employers national insurance or pensions contributions.

		Basic & Special Allowance	Expenses	Total
		£	£	£
ALLEN	S	5,196	-	5,196
APPLEYARD	R	8,325	-	8,325
BALL	S	7,732	-	7,732
BALL	TM	15,730	-	15,730
BARRETT	CV	8,975	321	9,296
BATT	GM	11,287	326	11,613
BEATH	CE	8,007	98	8,105
BELLOTTI	DF	11,287	2,289	13,576
BEVAN	SF	15,834	2,726	18,560
BRINKHURST	L	7,882	60	7,942
BULL	JA	9,807	93	9,900
BUTTERS	TN	7,732	-	7,732
CHALKER	BA	8,783	-	8,783
CLARKE	AK	7,732	-	7,732
CLARKE	VJ	11,287	-	11,287
COOMBES	NJ	7,732	-	7,732
CRAY	C	12,590	-	12,590
CROSSLEY	PN	18,522	249	18,771
CURRAN	GF	7,732	-	7,732
DARRACOTT	C	7,757	-	7,757
DAVIS	S	16,619	-	16,619
DEACON	DE	7,732	164	7,896
DEWEY	IC	7,732	-	7,732
DIXON	D	16,619	-	16,619
EDWARDS	A	7,732	-	7,732
EDWARDS	PM	9,718	365	10,083
FURSE	AJ	8,232	45	8,277
GAZZARD	TA	32,614	-	32,614
GERRISH	CD	32,614	515	33,129
GILCHRIST	IA	8,032	25	8,057
HAEBERLING	F	37,945	-	37,945
HALE	AD	7,732	-	7,732
HANNEY	MC	32,614	2,663	35,277
HARTLEY	N	8,032	298	8,330
HAWKINS	DJ	10,327	-	10,327
HEDGES	LM	7,732	-	7,732
HEDGES	SP	7,732	-	7,732
INKER	AW	16,619	831	17,450
JACKSON	EM	8,325	306	8,631
KEW	LJ	16,619	1,915	18,534
LEES	MJH	7,732	-	7,732
LONGSTAFF	M	7,732	-	7,732
MACRAE	BJ	7,732	-	7,732
MAYBURY	AR	5,259	5	5,264
MCGALL	SA	8,032	34	8,066
MCNEIR	M	7,732	113	7,845
ORGAN	BS	7,732	-	7,732
PARADISE	CA	11,287	376	11,663

NOTES TO MAIN FINANCIAL STATEMENTS

		Basic & Special Allowance	Expenses	Total
		£	£	£
PRITCHARD	VL	32,614	3,123	35,737
ROBERTS	CM	16,619	31	16,650
ROBERTS	N	7,732	-	7,732
ROMERO	UM	7,732	-	7,732
SANDRY	WA	7,882	-	7,882
SIMMONS	B	9,466	352	9,819
SPEIRS	DJ	8,325	12	8,337
STEEL	SJ	7,732	529	8,261
SYMONDS	RA	8,032	492	8,524
VEAL	M	16,619	347	16,966
WARREN	T	12,175	585	12,760
WATT	C	32,614	1,929	34,543
WHELAN	B	7,732	-	7,732
WHITTOCK	MJ	7,732	346	8,078
WILLCOX	SJ	7,732	232	7,964
WOOD	GJ	12,175	-	12,175
Total		767,406	21,792	789,199

29 OFFICER REMUNERATION

Senior Officers emoluments-salary of £150,000 or more for the year ending 31 March 2011

Post Holder	Salary	Expenses	Benefits in Kind e.g. Car Allowance	Employer Pension Contrib'ns	Total Remuneration
	£	£	£	£	£
Chief Executive - John Everitt	178,338	1,251	963	32,109	212,661

Senior Officers emoluments-salary between £50,000 and £150,000 per year

Post Holder	Salary	Expenses	Benefits in Kind e.g. Car Allowance	Employer Pension Contrib'ns	Total Remuneration
	£	£	£	£	£
Strategic Director Children's Services	126,699	2,353	980	22,697	152,729
Strategic Director Support Services	114,390	360	300	19,861	134,911
Strategic Director Service Delivery	112,589	1,836		19,861	134,286
Council Solicitor	97,275		963	17,023	115,261
Divisional Director Improvement & Performance	86,469		963	15,132	102,564
Divisional Director - Finance	97,049		4,186	16,984	118,219

The Strategic Director for Development & Major Projects is not an employee of the council.

The Benefits In Kind for the Divisional Director - Finance includes one-off relocation allowance.

Senior Officers emoluments-salary of £150,000 or more for the year ending 31 March 2010

Post Holder	Salary	Expenses	Benefits in Kind e.g. Car Allowance	Employer Pension Contrib'ns	Total Remuneration
	£	£	£	£	£
Chief Executive - John Everitt	178,338	1,406	906	31,209	211,859

NOTES TO MAIN FINANCIAL STATEMENTS

Senior Officers emoluments-salary between £50,000 and £150,000 per year

Post Holder	Salary	Expenses	Benefits in Kind e.g. Car Allowance	Employer Pension Contrib'n's	Total Remuneration
	£	£	£	£	£
Strategic Director Children's Services	129,699	1,800	906	22,697	155,102
Strategic Director Adult Services *	46,339	407	151	3,310	50,207
Strategic Director Support Services	113,490	391	763	19,861	134,505
Strategic Director Services Delivery	108,081	1,912	7,470	18,915	136,378
Council Solicitor	97,275	-	906	17,023	115,204
Divisional Director Improvement & Performance	86,469	-	906	15,123	102,498
Divisional Director - Finance **	39,142	35	2,814	6,850	48,841

- * The Strategic Director for Adult Services was only employed for four months of the year. A redundancy payment in accordance with normal Council policy of £115,868 was paid to the Strategic Director Adult Services for loss of office following the Council's partnership arrangement with the Primary Care Trust. The Strategic Director for Adult Services is now employed by the Primary Care Trust.
- ** The Divisional Director Finance has only been in post for five months. The previous post holder resigned in August 2009. The annualised salary was £94,572. The Strategic Director for Development & Major Projects is not an employee of the council.

30 EMPLOYEES EMOLUMENTS

The Authority's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration band	2010/11 Teachers	2010/11 Others	2010/11 Total	2009/10 Teachers	2009/10 Others	2009/10 Total
£50,000 - £54,999	37	30	67	30	30	60
£55,000 - £59,999	20	11	31	27	6	33
£60,000 - £64,999	16	6	22	14	4	18
£65,000 - £69,999	3	3	6	1	2	3
£70,000 - £74,999	2	7	9	3	6	9
£75,000 - £79,999	-	8	8	4	6	10
£80,000 - £84,999	6	1	7	4	-	4
£85,000 - £89,999	1	7	8	1	8	9
£90,000 - £94,999	1	1	2	-	1	1
£95,000 - £99,999	-	7	7	-	4	4
£100,000 - £104,999	-	-	-	1	-	1
£105,000 - £109,999	-	-	-	-	1	1
£110,000 - £114,999	-	2	2	-	1	1
£115,000 - £119,999	-	-	-	-	-	-
£120,000 - £124,999	-	-	-	-	-	-
£125,000 - £129,999	-	-	-	-	-	-
£130,000 - £134,999	-	2	2	-	1	1
£135,000 - £139,999	-	-	-	-	-	-
£140,000 - £144,999	-	-	-	-	-	-
£145,000 - £149,999	-	-	-	-	-	-
£150,000 - £154,999	-	-	-	-	-	-
£155,000 - £159,999	-	-	-	-	-	-
£160,000 - £164,999	-	-	-	-	1	1
£165,000 - £169,999	-	-	-	-	-	-
£170,000 - £174,999	-	-	-	-	-	-
£175,000 - £179,999	-	1	1	-	1	1
	86	86	172	85	72	157

The above totals include 14 staff who would not have been included in the note if it were not for one-off severance payments. This included 1 in the Teacher category and 13 in the Others category. The list above includes Senior Officers listed separately in note 29.

NOTES TO MAIN FINANCIAL STATEMENTS

31 AUDIT & INSPECTION FEES

The Council has incurred the following fees payable to its auditors, the Audit Commission	2010/11 £'000	2009/10 £'000	2008/09 £'000
Fees payable with regard to external audit services	277	160	297
Fees payable for statutory inspection	-	144	127
Fees payable for the certification of grant claims and returns	80	52	54
Fees payable for objections to previous years accounts	11	17	-
Additional fees for 2008/09 statutory inspection		22	
Spa Litigation work		5	
National Fraud Initiative	4	2	2
	372	402	480

32 DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/11 are as follows:

	2010/11 Central Expenditure £'000	2010/11 Individual Schools Budget £'000	2010/11 Total £'000	2009/10 Total £'000	2008/09 Total £'000
Final DSG for 2010/11			98,868	95,332	92,611
Brought forward from 2009/10	668	290	958	349	247
Agreed budgeted distribution in 2010/11	8,971	90,855	99,826	95,681	92,858
Actual central expenditure	6,770		6,770	11,246	11,363
Actual ISG deployed to schools	-	91,009	91,009	83,477	81,146
Carry forward to 2011/12	2,201	(154)	2,047	958	349

33 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

	2010/11 £'000	2009/10 £'000
Credited to Taxation and Non Specific Grant Income		
Council Tax Income	77,628	76,504
Area based grant	10,301	7,493
Revenue Support grant	5,270	7,500
Contribution from the Non-Domestic Rate Pool	36,289	32,493
Dept for Children & Families	5,031	5,358
DCLG	59	1,178
Home Office	-	52
Department of Transport	2,181	4,704
DEFRA	120	325
Department of Health	144	235
HCA	744	
Other	1,898	4,720
Third party contributions	828	589
	140,493	141,151

NOTES TO MAIN FINANCIAL STATEMENTS

Credited to Services

Education Standards Fund	5,458	8,532
Schools Standard Grant	5,251	5,140
Learning & skills council	9,540	9,843
Early years grant	4,379	3,422
Concessionary fares grant	1,205	703
Mandatory rent allowances	45,714	39,867
Council tax benefit	10,616	9,913
English Partnerships	3,025	22,013
Department of Transport	367	
DCLG	1,056	
Dept for Children & Families	5,829	22,057
Other	490	589
Third party contributions	318	
	93,248	122,079

Bath & North East Somerset Council is accountable body for the Growth Points Fund on behalf of the West of England Partnership. In 2010/11 capital grant of £4.2m was received from DCLG and distributed to individual Unitary Authorities to fund specific projects.

34 RELATED PARTIES

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government

Central Government has effective control over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 26 on reporting for resources allocation decisions.

Pension Fund

Details of Contributions to the Avon Pension Fund are shown in note 2. As administering body to the Fund, the Council charges the fund for the direct costs - £1,251,683 (£1,192,938 09/10) and support services - £423,236 (£409,535 09/10) provided. Five B&NES Councillors are voting members on the Pensions Committee.

Members & Officers

Three Members of the Council are members of the Avon Fire Authority. One Member is a member of the Avon & Somerset Police Authority. Three Members are members of the Bath Recreation Ground Trust.

The Director of Children's Services is a Director on the Connexions Company, also one Member of the Council is a non-executive director (see note 44 Controlled Companies).

The Council made payments of £243,481 during 2010/11 (£258,196 in 2009/10) to Hammond Project Management Services Limited for the services of the Strategic Director of Development and Major Projects. John Betty is the sole Director and sole employee of Hammond Management Project Services Limited. This arrangement was provided under a tendered contractual agreement entered into on 3rd January 2005 for the provision of management services to oversee the Council's major projects at Directorship level for a period of 5 years. The contract has now been extended for a further 3 years which expires in January 2013.

The Council made payments of £883,001 (£835,615 09/10) to voluntary bodies and organisations where members have an interest (either due to a Council nomination or in an independent capacity).

The Council is in joint partnership with the Primary Care Trust (PCT) to provide social and community healthcare. A The Chief Executive of the Primary Care Trust is also on the Council management team. The Director of Children's Services commissions child health care services. The chair of the PCT is also Resources Portfolio holder at the Council. (please see note 27 Pooled Budgets)

Norton Radstock Regeneration Ltd.

The Council is a partner in a major project to re-develop land in Midsomer Norton - Radstock under the Government's Single Regeneration Budget (SRB) scheme. During 2000-01, a not for profit company, Norton Radstock Regeneration Ltd. was set up to develop the scheme.

The Council is a 'related party' of the regeneration company. However since less than 10% of the company's directors are Council nominees, the company is not an 'influenced' one under capital control regulations.

NOTES TO MAIN FINANCIAL STATEMENTS

35 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

Capital expenditure on fixed assets was as follows:

	2010/11 £'000	2009/10 £'000	2008/09 £'000
Adult Social Services Facilities	268	132	3,606
School Improvements	11,170	7,629	5,668
Highways/Road Safety & Bridge Strengthening	9,663	11,290	7,781
Capitalised Buildings Maintenance	1,289	1,321	1,397
Western Riverside Project	744	543	515
Other	11,240	6,363	3,585
	34,374	27,278	22,552

Capital Expenditure was categorised as follows:

	2010/11 £'000	2009/10 £'000	2008/09 £'000
Property, plant and equipment	33,542	26,500	21,566
Investment properties	90	204	320
Intangible assets	742	574	666
Revenue expenditure funded from capital under statute	17,152	46,628	54,101

Total expenditure

51,526 73,906 76,653

Sources of finance:

Capital Receipts	2,383	4,657	3,179
Grants	25,214	62,060	59,336
Supported Borrowing	4,464	6,003	6,491
Unsupported Borrowing	16,729	-	2,013
3rd Party Contributions	968	589	4,734
Revenue	1,768	597	900

Total financing

51,526 73,906 76,653

Capital Financing Requirement

	2010/11 £'000	2009/10 £'000	2008/09 £'000
Opening Capital Financing Requirement	93,612	89,595	82,869
Capital Investment	51,526	73,906	76,653
Sources of Finance:			
Capital Receipts	(2,383)	(4,657)	(3,179)
Government grants & other contributions	(27,950)	(63,246)	(64,963)
Sums set aside from revenue (including MRP)	(2,146)	(1,986)	(1,785)
Closing Capital Financing Requirement	112,659	93,612	89,595
Increase in underlying need to borrow supported by Government financial assistance	4,464	6,003	6,491
Increase in underlying need to borrow unsupported by Government financial assistance	16,729	-	2,013
Less minimum revenue provision repayment	(2,146)	(1,986)	(1,785)
Increase / (decrease) in Capital Financing Requirement	19,047	4,017	6,719

NOTES TO MAIN FINANCIAL STATEMENTS

36 LEASES

Authority as Lessee

Finance Leases

The Authority has acquired a number of buildings and vehicles, plant and equipment under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	2010/11	2009/10
	£'000	£'000
Other Land & Buildings	3,077	3,196
Vehicles, Plant & Equipment	338	519
	<u>3,415</u>	<u>3,715</u>

No deferred liability is disclosed in the Council's Balance Sheet for Other Land & Buildings as these properties are subject to peppercorn rents only. The deferred liability for Vehicles, Plant and Equipment is not material.

Operating Leases

The Council uses vehicles, computers and other equipment financed under the terms of various operating leases. The lease rentals paid in 2010/11 were £1,741,354 (£1,742,794 in 2009/10).

The future payments required under these leases in 2011/12 are £1,707,689, comprising the following elements:

	2010/11	2009/10
	£'000	£'000
Not later than one year	1,167	123
Later than one year and not later than five years	539	1,605
Later than five years	2	32
	<u>1,708</u>	<u>1,760</u>

The Council holds property leases which are operating leases. The amount paid in rent for 2010/11 was £1,134,779 (2009/10 was £1,268,660).

The future commitments required under these leases in 2011/12 are £752,327, comprising the following elements:

	2010/11	2009/10
	£'000	£'000
Not later than one year	87	201
Later than one year and not later than five years	-	271
Later than five years	665	685
	<u>752</u>	<u>1,157</u>

In practice, although some leases are due for renewal, the Council expects to continue using many of its leased buildings beyond the renewal dates.

Authority as Lessor

Finance Leases

The authority has leased out a number of commercial properties on finance leases.

Operating Leases

The Authority leases out a large number of investment properties.

Rental income receivable from operating property leases totalled £13,207,181 (£12,953,570 in 2009/10).

The net book value of these properties is £219,233,419 (£221,608,868 in 09/10).

The future rental income receivable under non-cancellable operating leases in the aggregate and for each of the following periods:

	2010/11	2009/10
	£'000	£'000
Not later than one year	1,658	170
Later than one year and not later than five years	4,871	4,913
Later than five years	6,986	7,579
	<u>13,515</u>	<u>12,662</u>

NOTES TO MAIN FINANCIAL STATEMENTS

37 IMPAIRMENT LOSSES

There were no losses due to impairment of assets.

38 PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTIONS SCHEMES

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes.

In 2010/11 the council paid £7.378m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £7.589m and 14.1%. There were no contributions remaining payable at the year end.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 39.

39 PARTICIPATION IN PENSIONS SCHEMES

The Council offers retirement benefits as part of the terms and conditions of employment. Whilst these benefits are not payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two pension schemes:

- The Local Government Pension Scheme via the Avon Pension Fund. This is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into the fund which are calculated at a level intended to balance the pension liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions relating to retirement benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme		Unfunded Liabilities Discretionary Benefits	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current Service Costs	12,640	7,904		
Past Service Cost	(30,316)	-	(1,287)	143
Settlement and Curtailment	1,373	698	197	
Financing and Investment Income & Expenditure				
Interest cost	28,223	25,942	1,290	1,397
Expected return on scheme assets	(21,662)	(15,138)		
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(9,742)	19,406	200	1,540
Other Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services				
Actuarial gains and losses	(13,968)	43,303	(809)	3,767
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(23,710)	62,709	(609)	5,307
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(9,742)	19,406	200	1,540
Actual amount charged against General Fund Balance for pensions in the year:	14,277			
Employers' contributions payable to scheme	(1,717)	(7,153)	197	143
Retirement benefits payable to pensioners			22,079	24,223

NOTES TO MAIN FINANCIAL STATEMENTS

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities		Unfunded Liabilities	
	Local Government Pension Scheme		Discretionary Benefits	
	2010/11	2009/10	2010/11	2009/10
	£'000	£'000	£'000	£'000
Opening Balance at 1 April 2010	503,953	366,836	24,223	20,448
Current service cost	12,640	7,904		
Interest cost	28,223	25,942	1,290	1,397
Contributions by scheme participants	4,706	4,682	(1,535)	(1,532)
Actuarial gains and losses	(13,968)	113,396	(809)	3,767
Benefits paid	(17,271)	(15,505)		
Past service costs	1,373	698	197	143
Past service gain	(30,316)		(1,287)	
Closing Balance at 31 March 2011	489,340	503,953	22,079	24,223

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2010/11	2009/10
	£'000	£'000
Opening Balance at 1 April 2010	334,613	246,148
Expected rate of return	21,662	15,138
Actuarial gains and losses	(872)	70,093
Employer contributions	14,277	14,057
Contributions by scheme participants	4,706	4,682
Benefits paid	(17,271)	(15,505)
Closing Balance at 31 March 2011	357,115	334,613

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was - £25,429 (2009/10 -£85,231).

Scheme History

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
	*	*				
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of liabilities:						
Local Government Pension Scheme	(398,052)	(428,393)	(428,051)	(366,836)	(503,953)	(489,340)
Discretionary Benefits		(21,172)	(23,748)	(20,448)	(24,223)	(22,079)
Fair value of assets in the Local Government Pension Scheme	289,781	309,053	297,164	246,148	334,613	357,115
Surplus/(deficit) in the scheme:						
Local Government Pension Scheme	(108,271)	(119,340)	(130,887)	(120,688)	(169,340)	(132,225)
Discretionary Benefits		(21,172)	(23,748)	(20,448)	(24,223)	(22,079)
Total	(108,271)	(140,512)	(154,635)	(141,136)	(193,563)	(154,304)

* the authority has elected not to restate fair value of scheme assets for 2005/06 and 2006/07

NOTES TO MAIN FINANCIAL STATEMENTS

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £154m has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- > the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary
- > finance is only required to be raised to cover teachers' pensions when the pensions are actually paid.

Employer contributions to the Pension Fund in 2011/12 are estimated to be £14.3m. Estimated contributions to the Discretionary Benefits scheme are £1.7m

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both scheme liabilities have been assessed by an independent firm of actuaries Mercer Human Resource Consulting Ltd, estimates for the Local Government Pension Scheme being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

	Avon Pension Fund		Discretionary Benefits Scheme	
	2010/11	2009/10	2010/11	2009/10
Long term expected rate of return on assets in the scheme:				
Equity investments	7.5%	7.5%		
Government Bonds	4.4%	4.5%		
Other Bonds	5.1%	5.2%		
Other	14.5%	14.5%		
Mortality assumptions :				
Longevity at 65 for current pensioners:				
Men	22.7	21.2	22.1	21.2
Women	25.6	24.1	24.7	24
Longevity at 65 for future pensioners:				
Men	25	22.2		
Women	28	25		
Rate of inflation	2.9%	3.3%	3.3%	3.2%
Rate of increase in salaries	4.40%	4.55%		
Rate of increase in pensions	3.4%	3.3%	2.8%	3.2%
Proportion of employees opting to take a commuted lump sum	50%	50%		
Rate for discounting scheme liabilities	5.5%	5.6%	5.4%	5.5%

Constitution of the fair value of scheme assets

The Discretionary Benefits Scheme has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Assets Held :	Assets at 31 March 2011		Assets at 31 March 2010	
	£'000	%	£'000	%
Equity investments	223,554	65.0%	217,498	65.0%
Government Bonds	46,425	10.3%	34,465	10.3%
Other Bonds	28,212	9.6%	32,123	9.6%
Other	58,924	15.1%	50,527	15.1%
Total	357,115	100%	334,613	100.0%

NOTES TO MAIN FINANCIAL STATEMENTS

History of experience gains and losses

Actuarial losses identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011.

	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06
Difference between the expected and actual return on scheme assets:						
amount (£,000)	(872)	(70,093)	(73,037)	(26,760)	(1,013)	40,721
percentage	0	20.9	29.7	9	0.3	14.1
Experience gains and losses on liabilities						
amount (£,000)	16,835	113,936	88,712	43,234	(26,200)	(4,508)
percentage	3	22.5	24.2	10.1	6.1	1.1
	15,963	43,843	15,675	16,474	(27,213)	36,213

40 AVON COUNTY COUNCIL DEBT

Following Local Government Reorganisation in 1996, Avon County Council's residual debt is administered by Bristol City Council. All successor Unitary Authorities make an annual contribution to principal and interest repayment. The amount of residual debt outstanding at 31 March 2011 apportioned to this Council is £16.43m (£17.10m in 2009/10). The debt has now been included in the Council's Balance Sheet as a deferred liability which will reduce each year due to principle repayments.

	31 March 2010	Principal Repaid	31 March 2011
	£000	£000	£000
Ex- Avon loan debt principal repayment	17,114	(684)	16,430

41 MINIMUM REVENUE PROVISION (MRP)

Minimum Revenue Provision - Provision for Repayment of External Debt

The net amount charged to revenue in compliance with the statutory requirement to set aside a Minimum Revenue Provision for the repayment of external debt is £2.146m calculated as follows:

	2010/11 £000	2009/10 £000	2008/09 £000
4% of Capital Financing Requirement (CFR)	3,663	3,503	3,322
Adjustment allowed under Capital Finance Regulations	(1,551)	(1,551)	(1,537)
Provision based on estimated useful life of new assets since 2008	34	34	
Statutory Minimum Revenue Provision (MRP)	2,146	1,986	1,785

The excess of depreciation, impairment and the effect of deferred charges and intangible assets charged to Net Operating Expenditure over the Minimum Revenue Provision is reversed through the Statement of Movement on the the General Fund Balance by an adjustment with the Capital Adjustment Account.

New regulations regarding Minimum Revenue Provision introduced (effective from 31st March 2008), allow local authorities to choose from three calculation methods.

The Council MRP Policy is:

Bath and North East Somerset has elected to make a prudent minimum revenue provision for all new unsupported borrowing from 1st April 2008, based on the estimated useful life of the asset or equal to depreciation as calculated in line with the Statement of Recommended Practice.

For all Government supported borrowing:

- For existing schemes the Council will determine that its MRP is equal to the amount determined in accordance with the former regulations.
- For all new schemes after 1st April 2008 it will calculate MRP based on the estimated useful life of the asset.

When borrowing to construct an asset, the authority will treat the asset life as commencing in the year in which the asset becomes operational.

NOTES TO MAIN FINANCIAL STATEMENTS

42 LANDFILL ALLOWANCE TRADING SCHEME (LATS)

The Landfill Allowance Trading Scheme (LATS) has been accounted for in 2010/11 in accordance with the guidance provided in the LAAP Bulletin 64, February 2006. Accordingly the LATS allowances have been recognised on the Balance Sheet as a current asset, offset by the current liability to DEFRA for landfill usage. The LATS grant income has been credited to the Consolidated Revenue Account and the value of spare allowances moved to provisions. These will be utilised in future years on recycling initiatives once the value of the spare allowances have been realised through trading. Each allowance has been valued at £10.60 as at 31st March 2011.

43 TRUST FUNDS

The Council is the trustee of a small number of Trusts which were inherited from the predecessor authorities. These include bequests, schools prize and scholarship funds and grave maintenance.

The only Trusts with material assets are:

	2010/11 Income £	2010/11 Assets £
Alice Park Trust	(711)	142,102 *
Sydney Garden Fund	(155)	25,066
Bath Recreation Ground Trust	(208)	not separately valued

* Includes external investments valued at £12,052.

The purpose of these funds is to provide for the maintenance of specific parks or recreation grounds in Bath.

Bath Recreation Ground Trust

The Council has included the leisure centre in its balance sheet even though it is built on land owned by the charity. The financial regulations determine that as the Council is bearing the risks and rewards of ownership, in accordance with FRS5 it should stay on the Council's balance sheet. The Charity Commission has agreed to a lease being signed to allow the council to remain on the recreation ground land for the period of the life of the building but the lease has not been signed yet.

Other Trust Funds of which B&NES is the sole trustee, relate to assets held:

	£'s
Educational Funds	49,480
Graves/memorial maintenance	14,777
Parks & Gardens maintenance	7,377
Client accounts	187,917
Twinning Fund	26,130
Bequests	42,917
Total	328,598

44 CONTROLLED COMPANIES

Bath Tourism Plus Ltd

During 2003/04 the Council set up the above as a company to provide tourism information and marketing services, in partnership with the private sector. The company is limited by guarantee. The Council and Initiative have equal rights to appoint directors. The directors have day to day control over the management of the company.

There were no acquisition or merger costs arising.

The Company's un-audited accounts show a turnover of £2,106,662, a net profit of £79,010 and net current assets of £145,301 (turnover of £1,873,439, a net profit of £74,590 and net current assets of £79,678 in 2009/10). The turnover and assets held by this company are not considered significant enough to produce Group Accounts.

A copy of the accounts can be obtained from Bath Tourism Plus at Abbey Chambers, Abbey Churchyard, Bath.

NOTES TO MAIN FINANCIAL STATEMENTS

Connexions West of England

On 1 September 2007 responsibility for Connexions West of England was transferred jointly to Bath & North East Somerset Council, Bristol City Council, South Gloucestershire Council and North Somerset Council. The company provides services to 13 to 19 year olds, including career education and guidance, supporting post 16 transition for young people with learning disabilities and encouraging participation in education and training.

The company is limited by guarantee. The Council does not profit from the company's activities and has no rights to its' assets. The turnover and assets of this company are not considered material and therefore group accounts have not been prepared.

Future Bath Plus - City Centre Management Company

Futures Bath Plus is a company set up by the council in partnership with the private sector to promote the cultural interests of Bath, including arts and leisure.

The company is limited by guarantee. The Council and Initiative have equal rights to appoint directors. The directors have day to day control over the management of the company.

The turnover and assets of this company are not considered material and therefore group accounts have not been prepared.

45 West of England Partnership

The West of England Partnership was established in 2004 comprising the 4 unitary authorities, Bath & North East Somerset, Bristol, North Somerset and South Gloucestershire. The partnership is not a partnership in law, or a formal decision making body and does not have the power to bind the four unitaries.

The partnership board contains a range of social, economic and environmental partners and is advised by a range of specialist, advisory and programme groups. The authority acts as the lead authority for the partnership.

WEP aims to facilitate inward investment into the area bounded by the four councils, with funding for projects being sought from Government via the Government office South West (GOSW), from the private sector and from other funding bodies.

Priorities are:-

- Transport;
- Planning;
- Waste;
- Housing;
- Economic competitiveness and inclusion
- Culture, leisure and tourism.

A key driver for the formation of the WEP is to facilitate large complex cross boundary projects to achieve better service outcomes than would be likely by the Councils acting individually.

West of England Pooled Budget

	Planning		Joint Waste		Sub-total	
	Planning	Plan	Housing	Inward		
	£'000	£'000	Co-Ord'tor	Investm't	£'000	
	£'000	£'000	£'000	£'000	£'000	
Expenditure	220	113	34	4	102	473
Funding						
Grant	9					9
Contributions	(139)	1	(16)	1	(70)	(223)
Internal Recharges	6					6
Recoveries	-					-
BANES	86	28			43	157
Bristol	86	28	50		43	207
North Somerset	86	28			43	157
South Gloucestershire	86	28		3	43	160
Total funding	220	113	34	4	102	473

NOTES TO MAIN FINANCIAL STATEMENTS

	Transport		Employment and Skills			TOTAL £'000
	Transport	Framework	LSC/EDF	RDA	Workless	
	£'000	£'000	£'000	£'000	£'000	
Expenditure	332	6	122	276	35	1,244
Funding						
Grant						9
Contributions	(12)		122	276	35	198
Internal Recharges						6
Recoveries		3				3
BANES	86					243
Bristol	86	3				296
North Somerset	86					243
South Gloucestershire	86					246
Total funding	332	6	122	276	35	1,244

Only the authority's share of partnership income and expenditure are included in authority's accounts.

Bath & North East Somerset Council is accountable body for the Growth Points Fund on behalf of the West of England Partnership. In 2010/11 capital grant of £4.2m was received from DCLG which was approved and distributed to individual Unitary Authorities to fund specific projects

46 CONTINGENT LIABILITIES

A report to the Council's Strategic Directors Group identified the potential significant liabilities arising from appeals or objections to the Council's actions. There are a small number of such cases. The most significant are:

Transfer of Housing Stock - in transferring the Council's housing stock to Somer Community Housing Trust, the Council made a number of warranties relating to the properties and land transferred. To date there is no known breach of the warranties made, therefore the Council expects there will be no transfer of economic benefits.

Leisure Trust - the Council has transferred its Leisure functions to an external company. As is usual with this type of Private/Public agreement, the Council would be liable for costs should it breach its obligations or warranties. There is no known breach of these warranties.

Bath Recreation Ground Trust - This is a charitable trust where Bath & North East Somerset Council is the Trustee. The Council as Trustee is ultimately responsible for any liabilities or deficits incurred by the Trust. The Trust is developing a strategy to manage its finances going forward.

Section 117 Aftercare Services - In 1999 the High Court decided that people receiving section 117 aftercare services under the Mental Health Act should not be charged for Community Care. As a result of the High Court ruling the Council has received claims for reimbursement of charges in the region of £205,000. The Council's best estimate of total claims is £393,000 with a balance of £188,000 set aside.

Social Care for Children - The outcome of a recent social care court case could result in additional legal fees for the Council. The outcome of the case has been decided but the extent of fees and charges is still to be determined.

There are three companies which are limited by guarantee by the Council. The amounts are not material and there is no expectation that any liability will arise.

47 CONTINGENT ASSETS

There are no contingent assets.

NOTES TO MAIN FINANCIAL STATEMENTS

48 EXCEPTIONAL ITEMS

Combe Down Stone Mines Project

Previous years spend on this project has been substantial and therefore has been shown separately in the Cost of Services line in the Comprehensive Income and Expenditure Statement. The project is now coming to an end and although although the spend in 2010/11 is not considered substantial the expenditure has continued to be shown separately from other costs.

Gain/Loss on Disposal of Non-Current Assets

The loss on disposal of £19.1m as shown in Note 9 Other Operating Expenditure, is mainly due to the transfer at Nil value of schools to Academy status.

Unfunded Pensions Costs

The pension fund gain on past service costs as shown in Unfunded Pensions Costs is due to the change in the way pensions benefits are now linked to the Consumer Price Index rather than the Retail Price Index as announced by the Government in 2010. This has reduced the pension fund liability.

COLLECTION FUND 2010/11

The Collection Fund is an agents statement that reflects the statutory obligation for billing authorities to maintain a separate collection fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

	Notes	2010/11 £'000	2009/10 £'000
INCOME			
Council Tax	2	(83,780)	(81,909)
Council Tax Benefit	2	(10,536)	(9,901)
Non-Domestic Rates	3	(53,308)	(48,924)
		(147,624)	(140,734)
EXPENDITURE			
Precepts and demands			
Bath & North East Somerset		79,608	77,802
Avon & Somerset Police	1	10,847	10,431
Avon Fire	1	3,898	3,792
		94,353	92,025
Non Domestic Rates			
Payment to National Pool		52,995	48,619
Interest on repayments		52	45
Cost of Collection Allowance		261	260
		53,308	48,924
Provision for uncollectible amounts		113	119
		147,774	141,068
Surplus/(Deficit) for the Year		(150)	(334)
Surplus/(Deficit) Brought Forward as at 1 April		1,149	1,483
Surplus as at 31 March	5	999	1,149
Less surplus to be refunded to Police & Fire Authorities		(156)	(176)
Bath & North East Somerset Surplus		843	973

NOTES TO THE COLLECTION FUND

1 The Collection Fund

The Collection Fund Account is a statutory fund for the collection and distribution of amounts due in respect of Council Tax and National Non- Domestic Rates (NNDR). The year end surplus on the Fund is due to the Council as 'billing authority' and the major precepting authorities, Avon & Somerset Police Authority and Avon Fire Authority.

	Precept 2010/11 £'000	Surplus 2010/11 £'000	Precept 2009/10 £'000	Surplus 2009/10 £'000
The Avon & Somerset Police Authority	10,734	113	10,296	135
The Avon Fire Authority	3,857	41	3,743	49

2 Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Bath & North East Somerset Council, the Police Authority and the Fire Authority for the forthcoming year and dividing this by the Council Tax base adjusted for discounts (63,882.4 for 2010/11). This amount of Council Tax for a Band D property £1,461.33 (£1,422.62 - 2009/10) is multiplied by the proportion specified for the particular band to give an individual amount due.

Council Tax bills were based on the following proportions from Bands A to H:

	Discounted Properties	Ratio to Band D	Band D Equivalents
Band A - Disabled Relief	12.75	5/9	7.1
Band A	5,742.25	6/9	3,828.2
Band B	15,152.50	7/9	11,785.3
Band C	16,085.75	8/9	14,298.4
Band D	11,561.50	9/9	11,561.5
Band E	7,922.25	11/9	9,682.8
Band F	4,587.00	13/9	6,625.7
Band G	4,094.50	15/9	6,824.2
Band H	313.75	18/9	627.5
Contributions in Lieu			15.4
			65,256.1
Allowance for Doubtful Debts & Appeals			-1,373.7
Tax Base			63,882.4

The income for 2010/11 is receivable from the following sources:-

	2010/11 £'000	2009/10 £'000
Billed to Council Tax payers	(83,780)	(81,908)
Council Tax benefits	(10,536)	(9,901)
	(94,316)	(91,809)

NOTES TO THE COLLECTION FUND

3 National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specifies a national 'rate' of 40.7 pence in 2010/11 for properties that qualify for Small Business Rate Relief, and 41.4 pence for all others, subject to transitional arrangements. Local businesses pay rates calculated by multiplying their rateable value by that amount.

The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the Pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The NNDR income after reliefs and provisions of £53.308 million for 2010/11 (£48.924 million in 2009/10) resulted from a total rateable value at 31 March 2011 of £165.324 million.

4 Write Offs

During the year, the following Collection Fund debts were written off :

	£'000
Council Tax	255
NNDR	376

These write offs were made against bad debt provisions set up in previous years.

	£'000
The remaining provisions are :	
Council Tax	514
NNDR	477
	<u>991</u>

5 Balance of Fund & Distribution

As at 31 March 2011, the balance on the Collection Fund stood at a surplus of £998,713

This credit balance due to the Council, Police and Fire Authority is as follows:

	£'000
Bath & North East Somerset	843
Avon & Somerset Police	115
Avon Fire	41
	<u>999</u>

PENSION FUND ACCOUNTS 2010/11

Statement of Accounts

Introduction

- 1.1 The following comprises the Statement of Accounts for the Avon Pension Fund (The Fund). The accounts cover the financial year from 1 April 2010 to 31 March 2011.
- 1.2 These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting ('Code of Practice') in the United Kingdom 2010 based on International Financial Reporting Standards as published by the Chartered Institute of Public Finance and Accountancy. The accounts have been prepared on an accruals basis, except for certain transfer values as described at 'Statement of Accounting Policies' – item 2.5. They do not take account of liabilities to pay pensions and other benefits in the future.
- 1.3 This is the first year in which the accounts have been prepared following International Financial Reporting Standards as required by the Code of Practice. There is no material difference in the Net Assets as at 1 April 2009 that would effect the 2009/10 accounts shown for comparison with the 2010/11 accounts.
- 1.4 The accounts are set out in the following order:

Statement of Accounting Policies which explains the basis of the figures in the accounts.

Fund Account which discloses the size and nature of financial additions to and withdrawals from the Fund during the accounting period and reconciles the movements in the net assets to the Fund Account.

Net Assets Statement which discloses the size and disposition of the net assets of the Fund at the end of the accounting period.

Notes to the Accounts which give supporting details and analysis concerning the contents of the accounts, together with information on the establishment of the Fund, its membership and actuarial position.

1.5 Actuarial Valuations

As required by the Local Government Pension Scheme Regulations 2008 an actuarial valuation of the Fund was carried out as at 31 March 2010. The market value of the Fund's assets at the valuation date was £2,459 million. The actuary has estimated that the value of the Fund was sufficient to meet 82% of its expected future liabilities (of £3,011m) in respect of service completed to 31 March 2010.

- 1.6 The deficit recovery period for the Fund overall is 23 years.

The 2010 actuarial valuation was carried out using the projected unit actuarial method. The main actuarial assumptions,

- 1.7 on the basis of which the employer's contributions are set, are set out below:

	Past Service	Future Service
Rate of Discount	6.85% per annum (pre retirement) 5.6% per annum (post retirement)	6.5% per annum
Rate of pensionable pay inflation	4.5% per annum	4.5% per annum
Rate of price inflation	3.0% per annum	3.0% per annum

- 1.8 The 2010 valuation set the employer contribution rates effective from 1 April 2011. In previous years the employer contribution rate has been expressed as a percentage of pay. For the 2010 valuation, due to declining payrolls, the deficit recovery payment has been expressed as a monetary amount payable annually, whereas the future service rate is still expressed as a percentage of pay.
- 1.9 The Actuary has estimated that the funding level as at 31 March 2011 has marginally increased to 83% from 82% at 31 March 2010. The increase in the asset value exceeded the rise in liabilities, which was caused by the unwinding of the discount rate by one year.

PENSION FUND ACCOUNTS 2010/11

- 1.10 The Fund's Funding Strategy Statement, can be found on the Fund's website (www.avonpensionfund.org.uk) or supplied on request from Liz Feinstein, Investments Manager.

Statement of Investment Principles

- 1.11 The Fund's Statement of Investment Principles as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 can be found on the Fund's website (www.avonpensionfund.org.uk) or supplied on request from Liz Feinstein, Investments Manager.

Statement of Accounting Policies

Basis of Preparation

- 2.1 Except where otherwise stated, the accounts have been prepared on an accruals basis, i.e. income and expenditure is recognised as it is earned or incurred, not as it is received or paid. The accounts have been prepared on a going concern basis.

Investments

- 2.2 Investments are shown in the accounts at market value, which has been determined as follows:
- i) Quoted Securities have been valued at 31 March 2011 by the Fund's custodian using internationally recognized pricing sources (bid-price or 'last trade') where a quotation was available on a recognised stock exchange or the unlisted securities market. Unquoted securities are included at fair value.
 - ii) Fixed interest securities exclude interest earned but not paid over at the year end, which is included separately within investment debtors.
 - iii) Pooled investments are stated at the bid price or at the Net Asset Value quoted by their respective managers at 31 March 2011.
 - iv) Investments held in foreign currencies are shown at market value translated into sterling at the exchange rates ruling as at 31 March 2011.
 - v) Open futures contracts are included in the net asset statement at their fair market value, which is the unrealised profit or loss at the current bid or offer market quoted price of the contract. The amounts included in the change in market value are the realised gains or losses on closed futures contracts and the unrealised gains or losses on open futures contracts.
 - vi) Forward foreign exchange contracts outstanding at the year end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.
 - vii) Acquisition costs of investments (e.g. stamp duty and commissions) are treated as part of the investment cost.
 - viii) Additional Voluntary Contributions used to acquire money purchase benefits by scheme members are not included in the Fund's financial statements.
 - ix) Investment debtors and creditors at the year end are included in investment assets in accordance with the Pensions SORP.
 - x) The Fund's surplus cash is treated as an investment asset. Prior to 1 April 2010 the Fund's surplus cash was managed together with the surplus cash of B&NES Council, consequently this balance was shown as a debtor in the Fund's accounts. Since 1 April 2010 the Fund's surplus cash has been managed separately and consequently is now treated as an investment asset.

Contributions

- 2.3 Contributions represent those amounts receivable from the employing bodies in respect of their own and their pensionable employees' contributions. Employers' contributions are determined by the Actuary on the basis of triennial valuations of the Fund's assets and liabilities and take into account the Funding Strategy statement set by the administering authority. Employees' contributions have been included at the rates prescribed by the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007.

Benefits, Refunds of Contributions and Cash Transfer Values

- 2.4 Benefits payable and refunds of contributions have been brought into the accounts as they fall due.
- 2.5 Cash Transfer Values are those sums paid to or received from other pension schemes and relate to previous periods of pensionable employment. Cash Transfer Values have been included in the accounts on the basis of the cheque payment date or "Bath & North East Somerset Council cash office received" date. Accruals are only made when it is certain that a transfer is to take place.
- 2.6 Charges for splitting pensions on divorce are either invoiced to members or, on request, paid out of future benefits. In the case of payment from future benefits the charge against benefits and income to the Fund are both made in the current year.

Statement of Accounting Policies (cont'd)

Investment Income

- 2.7 Dividends and interest have been accounted for on an accruals basis. Income on pooled investments is accumulated and reflected in the valuation of the units.

Investment Management & Administration

- 2.8 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 permit Bath & North East Somerset Council to charge administration costs to the Fund. A proportion of relevant Council costs has been charged to the Fund on the basis of actual time spent on Pension Fund business.
- 2.9 The fees of the Fund's external investment managers reflect their differing mandates. Fees are linked to the market value of the Fund's investments and therefore may increase or reduce as the value of the investment changes. Fees are also payable to the Fund's global custodian and other advisors.

Taxation

- 2.10 The Fund is an exempt approved fund under the Income and Corporation Taxes Act 1988 and is therefore not liable to certain UK income tax on investment income or to capital gains tax. As Bath & North East Somerset Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. For taxation of overseas investment income please see note 3 iv. in the Notes to Accounts.

PENSION FUND ACCOUNTS 2010/11

Fund Account

For the Year Ended 31 March 2011

	Notes	2010/11 £'000	2009/10 £'000
Contributions and Benefits			
Contributions Receivable	4	139,519	134,681
Transfers In		9,571	14,934
Other Income	5	273	361
		149,363	149,976
Benefits Payable	6	121,745	115,101
Payments to and on account of Leavers	7	9,094	14,618
Administrative Expenses	8	2,245	2,340
		133,084	132,059
Net Additions from dealings with members		16,279	17,917
Returns on Investments			
Investment Income	10	22,663	16,014
Change in Market Value of Investments	11	177,861	612,435
Investment Management Expenses	9	(7,194)	(6,860)
Net Returns on Investments		193,330	621,589
Net Increase in the Fund during the year		209,609	639,506
Net Assets of the Fund			
At 1 April		2,458,588	1,819,082
At 31 March		2,668,197	2,458,588

Net Assets Statement at 31 March 2011

	Notes	31 March 2011 £'000		31 March 2010 £'000	
			%		%
INVESTMENT ASSETS					
Fixed interest securities : Public Sector		154,494	5.8	134,999	5.5
Equities		246,996	9.2	241,264	9.8
Index Linked securities : Public Sector		157,378	5.9	147,483	6.0
Pooled Investment vehicles:					
- Property : Unit Trusts		69,935	2.6	43,608	1.8
: Unitised Insurance Policies		49,875	1.9	33,034	1.3
: Other Managed Funds		52,242	2.0	26,071	1.1
Property Pooled Investment vehicles		172,052		102,713	
- Non Property : Unitised Insurance Policies		844,190	31.6	873,040	35.5
: Other Managed Funds		1,028,962	38.5	873,533	35.5
		1,873,152		1,746,573	
Derivative Contracts: FTSE Futures		543	-	152	-
Cash Deposits		50,515	1.9	63,042	2.5
Other Investment balances		4,749	0.2	4,150	0.2
INVESTMENT LIABILITIES					
Derivative contracts (Foreign Exchange hedge)		(59)	-	-	-
Other Investment balances		(1,869)	(0.1)	(738)	-
TOTAL INVESTMENT ASSETS	12	2,657,951		2,439,639	
Net Current Assets					
Current Assets	14	11,682	0.4	21,149	0.9
Current Liabilities	14	(1,436)	(0.1)	(2,200)	(0.1)
TOTAL NET ASSETS		2,668,197	100.0	2,458,588	100.0

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31 March 2011.

Notes to Accounts - Year Ended 31 March 2011

1 GENERAL

The Fund is administered by Bath & North East Somerset Council under arrangements made following the abolition of the former Avon County Council on 31 March 1996.

The Fund is governed by the Local Government Pension Scheme Regulations 2008 (as amended). Membership of the Fund is open to pensionable employees of scheduled bodies in the former Avon County area, together with employees of admitted bodies, a list of employers with contributing scheme members can be found in note 22.

Employers' contributions are payable at the rate specified for each employing authority by the Fund's actuary. The employees' contribution rate is payable in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007.

2 MEMBERSHIP

Membership of the Fund at the year-end was as follows:-

	31 March 2011	31 March 2010
Employed Members	33,810	34,800
Pensioners	22,541	21,313
Members entitled to Deferred Benefits	26,868	24,544
TOTAL	<u>83,219</u>	<u>80,657</u>

3 TAXATION

(i) Value Added Tax

The Fund's administering authority Bath & North East Somerset Council is reimbursed VAT by H. M. Revenue and Customs and the accounts are shown exclusive of VAT.

(ii) Income Tax

The Fund is a wholly exempt fund and some UK income tax is recoverable from the HM Revenue and Customs. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax.

(iii) Capital Gains Tax

No capital gains tax is chargeable.

(iv) Taxation of Overseas Investment Income

The Fund receives interest on its overseas government bond portfolio gross, but a variety of arrangements apply to the taxation of interest on corporate bonds and dividends on overseas equities.

PENSION FUND ACCOUNTS 2010/11

4 CONTRIBUTIONS RECEIVABLE

Contributions receivable are analysed below:-

	31 March 2011 £'000	31 March 2010 £'000
Employers' normal contributions		
Scheduled Bodies	86,680	84,394
Admitted Bodies	7,587	7,564
	<u>94,267</u>	<u>91,958</u>
Employers' contributions - Augmentation		
Scheduled Bodies	5,051	3,548
Admitted Bodies	552	814
	<u>5,603</u>	<u>4,362</u>
Employers' deficit Funding		
Scheduled Bodies	35	
Admitted Bodies	1,963	241
	<u>1,998</u>	<u>241</u>
Members' normal contributions		
Scheduled Bodies	33,352	33,582
Admitted Bodies	3,568	3,595
	<u>36,920</u>	<u>37,177</u>
Members' contributions toward additional benefits		
Scheduled Bodies	696	901
Admitted Bodies	35	42
	<u>731</u>	<u>943</u>
Total	<u><u>139,519</u></u>	<u><u>134,681</u></u>

The Members' contributions towards additional benefits above represent members' purchase of added years or additional benefits under the Scheme.

A further facility is provided whereby members can make Additional Voluntary Contributions, on a money purchase basis, which are invested in insurance policies with The Equitable Life Assurance Society or Friends Life on behalf of the individual members concerned. These contributions are not part of the Pension Fund and are not therefore reflected in the Fund's accounts. A statement of the value of these investments is given in Note 19.

5 OTHER INCOME

	31 March 2011 £'000	31 March 2010 £'000
Recoveries for services provided	262	356
Cost recoveries	11	5
	<u>273</u>	<u>361</u>

'Recoveries for services provided' refers to administrative and accounting services provided to employing bodies. Cost recoveries are the recovery of the cost of calculating Pension Sharing on divorce.

PENSION FUND ACCOUNTS 2010/11

6 BENEFITS PAYABLE

Analysis of Gross Benefits Payable by Type:-

	31 March 2011 £'000	31 March 2010 £'000
Retirement Pensions	90,317	86,016
Commutation of Pensions and Lump Sum		
Retirement Grants	28,734	26,536
Lump Sum Death Grants	2,694	2,549
	<u>121,745</u>	<u>115,101</u>

Analysis of Gross Benefits Payable by Employing Body:-

	31 March 2011 £'000	31 March 2010 £'000
Scheduled & Resolution Bodies	114,117	107,100
Admitted Bodies	7,628	8,001
	<u>121,745</u>	<u>115,101</u>

7 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

Leavers	31 March 2011 £'000	31 March 2010 £'000
Refunds to members leaving service	22	77
Individual Cash Transfer Values to other schemes	9,072	14,541
Bulk Cash Transfers	-	-
	<u>9,094</u>	<u>14,618</u>

There have been no bulk transfers during the year.

PENSION FUND ACCOUNTS 2010/11

8 ADMINISTRATION EXPENSES

Costs incurred in the management and administration of the Fund are set out below.

	31 March 2011 £'000	31 March 2010 £'000
Administration and processing	1,638	1,680
Actuarial fees	137	178
Audit fees	47	71
Legal and professional fees	-	1
Central recharges from Administrating Body	423	410
	<u>2,245</u>	<u>2,340</u>

9 INVESTMENT EXPENSES

Expenses incurred in the management of the Fund are set out below.

	31 March 2011 £'000	31 March 2010 £'000
Portfolio management	6,840	6,469
Global custody	78	74
Investment advisors	174	171
Performance measurement	32	33
Investment accounting	15	22
Investment Administration	55	91
	<u>7,194</u>	<u>6,860</u>

10 INVESTMENT INCOME

	31 March 2011 £'000	31 March 2010 £'000
Interest from fixed interest securities	6,350	4,135
Dividends from equities	7,051	6,275
Income from Index Linked securities	6,187	3,840
Income from pooled investment vehicles	2,917	1,574
Interest on cash deposits	146	172
Other - stock lending	12	18
TOTAL	<u>22,663</u>	<u>16,014</u>

The Fund has an arrangement with its custodian (BNY Mellon) to lend eligible securities from its portfolio to third parties in return for which the third parties pay fees to the fund. The third parties provide collateral to the Fund which is held during the period of the loan. This stock lending programme was introduced with effect from July 2004. The fund may terminate any loan of securities by giving notice of not less than the standard settlement time for those securities.

The value of the stock on loan as at 31 March 2011 was £43.67 million (31 March 2010 £9.42m). This was secured by collateral worth £45.21 million comprising OECD sovereign and supra national debt and equity index baskets from the FTSE 350 index. The Fund does not sell collateral unless there is a default by the owner of the collateral.

PENSION FUND ACCOUNTS 2010/11

11 CHANGE IN TOTAL NET ASSETS

	Value at 01/04/10 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Value at 31/03/11 £'000
Fixed Interest Securities	134,999	36,541	(20,446)	3,400	154,494
Equities	241,265	117,633	(128,049)	16,147	246,996
Index Linked Securities	147,483	30,450	(24,322)	3,767	157,378
Pooled Investments-					
- Property	102,713	85,169	(27,383)	11,553	172,052
- Non Property	1,746,573	97,871	(108,188)	136,896	1,873,152
Derivatives	152	1,922	(3,415)	1,824	483
	2,373,185	369,586	(311,803)	173,587	2,604,555
Cash Deposits	63,042	232,606	(244,154)	(979)	50,515
Net Purchases & sales		602,192	(555,957)	46,235	

Change in Creditors, Debtors & Revenue

Investment Debtors & Creditors	3,412	(531)	2,881
Total Investment Assets	2,439,639		2,657,951
Adjustments for Revenue Debtors & Creditors	18,949	(8,703)	10,246
Less Net Revenue of Fund		(31,748)	
Total Net Assets	2,458,588	177,861	2,668,197

The **Change in Market Value** of investments comprises all gains and losses on Fund investments during the year, whether realised or unrealised.

The **Change in Market Value** for cash deposits represents net losses on foreign currency deposits and foreign exchange transactions during the year.

Investment Transaction Costs

The following transactions costs are included in the above:

	Purchases £'000	Sales £'000	Other £'000	Total £'000
Fees and Taxes	606	1	-	607
Commission	159	152	3	314
Total	765	153	3	921

PENSION FUND ACCOUNTS 2010/11

12 INVESTMENT ASSETS

Further analysis of the market value of investments as set out in the Net Assets Statement is given below:-

	31 March 2011 £'000	31 March 2010 £'000
UK Equities		
Quoted	209,686	191,718
Pooled Investments	415,651	456,708
FTSE Futures	543	625,880
Overseas Equities		
Quoted	37,310	49,546
Pooled Investments	987,796	1,025,106
UK Fixed Interest Gilts		
Quoted	154,494	134,999
Pooled Investments	35,247	189,741
UK Index Linked Gilts		
Quoted	157,378	157,378
Sterling Bonds (excluding Gilts)		
Pooled Investments	138,079	138,079
Non-Sterling Bonds		
Pooled Investments	74,000	74,000
Hedge Funds		
Pooled Investments	222,379	222,379
Property		
Pooled Investments	172,052	172,052
Cash Deposits		
Sterling	49,672	52,627
Foreign Currencies	843	50,515
Investment Debtors/Creditors		
Investment Income	3,264	3,231
Sales of Investments	1,485	919
Foreign Exchange Hedge	(59)	-
Purchases of Investments	(1,869)	2,821
TOTAL INVESTMENT ASSETS	2,657,951	2,439,639

DERIVATIVES ANALYSIS

	31 March 2011 £'000
<u>"Over the Counter"</u>	
Forward Exchange Hedge: Receivable in Sterling	3,774
Forward Exchange Hedge: Payable in Euros	(3,786)
Forward Exchange Hedge: Payable in Sterling	(132)
Forward Exchange Hedge: Receivable in Euros	133
	(11)
Forward Exchange Hedge: Receivable in Sterling	9,523
Forward Exchange Hedge: Payable in U.S. Dollars	(9,571)
	(48)
	(59)

There were no "Over the Counter" derivatives held as at 31 March 2010

Exchange Traded Derivatives held at 31 March 2011:-

Contract Type	Expiration	Book Cost £'000	Unrealised Gain £'000
FTSE	June 2011	15,228	543

As at March 2010 the following Exchange Traded derivative was held:-

FTSE	June 2010	20,887	152
------	-----------	--------	-----

A derivative is a financial contract between two parties, the value of which is determined by the underlying asset. Investment in derivatives may only be made if they contribute to a reduction of risks and facilitate efficient portfolio management.

The UK Equity futures contracts are held to facilitate efficient portfolio management for a short term passively managed investment where the costs of investing directly in UK equities would be significant.

Forward "over the counter" foreign exchange contracts are held by two of the investment managers to eliminate the impact of the currency on the sterling return.

PENSION FUND ACCOUNTS 2010/11

The proportion of the market value of investment assets managed by each external manager and in house Treasury Management at the end of the financial year was:-

	31 March 2011 £'000	%	31 March 2010 £'000	%
Blackrock	1,469,327	55.3	1,402,836	57.5
Capital International	20	-	57	-
Threadneedle Pensions	-	-	4	-
Wellington Management International	4	-	18	-
Jupiter Asset Management	109,295	4.1	94,451	3.9
Genesis	147,200	5.5	130,211	5.3
Invesco	169,742	6.4	158,223	6.5
State Street	91,176	3.4	85,675	3.5
Partners	53,129	2.0	26,100	1.1
Royal London Asset Management	131,992	5.0	122,185	5.0
TT International	132,073	5.0	124,756	5.1
Man Investments	100,418	3.8	95,047	3.9
Gottex Asset Management	53,490	2.0	51,280	2.1
Stenham Asset Management	11,665	0.4	11,544	0.5
Signet Capital Management	47,225	1.8	45,279	1.9
Lyster Watson Management	10,228	0.4	9,823	0.4
Schroder Investment Management	120,511	4.5	76,798	3.1
Bank of New York Mellon	1,882	0.1	5,352	0.2
Treasury Management	8,574	0.3		
TOTAL INVESTMENT ASSETS	2,657,951	100.0	2,439,639	100.0

Residual values held by former Managers Capital International, Threadneedle Pensions and Wellington Management International relate to reclaimable tax.

PENSION FUND ACCOUNTS 2010/11

13 SINGLE INVESTMENTS OVER 5% OF ASSET CLASS

The following investment holdings amounted to 5% or more of their asset class excluding pooled funds. If pooled funds were included the only holding to exceed 5% of its asset class would be the Index linked 2.5% July 2016 which would be 5.01% of its class.

Fixed Interest Securities	Value	% of Asset Class
UK Government 4.250% 07-JUN-2032	13,819,909	8.9%
UK Government 4.750% 07-DEC-2038	13,801,303	8.9%
UK Government 4.250% 07-DEC-2027	13,788,096	8.9%
UK Government 4.750% 07-DEC-2030	13,288,963	8.6%
UK Government 4.250% 07-DEC-2055	12,279,623	7.9%
UK Government 4.250% 07-MAR-2036	12,048,891	7.8%
UK Government 6.000% 07-DEC-2028	11,851,040	7.7%
UK Government 4.250% 07-DEC-2046	10,883,067	7.0%
UK Government 4.500% 07-DEC-2042	10,637,834	6.9%
UK Government 4.250% 07-DEC-2049	9,992,587	6.5%
UK Government 4.500% 09/07/2034	9,434,179	6.1%
UK Government 4.250% 09/09/2039	8,736,240	5.7%
UK Government 4.250% 12/07/2040	8,048,473	5.2%

Index Linked Securities	Value	% of Asset Class
UK Government 2.500% 26-JUL-2016	17,391,647	11.1%
UK Government 2.500% 16-APR-2020	14,602,053	9.3%
UK Government VAR RT 17-JUL-2024	13,276,979	8.4%
UK Government 1.250% 22-NOV-2027	12,612,039	8.0%
UK Government 1.875% 22-NOV-2022	11,698,426	7.4%
UK Government 2.000% 26-JAN-2035	11,103,557	7.1%
UK Government 1.250% 22-NOV-2055	10,751,199	6.8%
UK Government 1.250% 22-NOV-2017	10,534,918	6.7%
UK Government 1.250% 22-NOV-2032	10,288,052	6.5%
UK Government 4.125% 22-JUL-2030	9,633,243	6.1%
UK Government 1.125% 22-NOV-2037	9,242,996	5.9%

UK Equities	Value	% of Asset Class
Vodafone Group	13,799,031	6.6%
HSBC Hldgs ORD USD0.50 (UK)	10,854,552	5.2%

Overseas Equities	Value	% of Asset Class
Royal Dutch Shell 'A'	5,734,441	15.4%
Xstrata Com STK	5,532,311	14.8%
Bayer AG ORD NPV	3,071,731	8.2%
WPP Plc ORD	2,082,094	5.6%

PENSION FUND ACCOUNTS 2010/11

14 DEBTORS AND CREDITORS

Provision has been made in the accounts for debtors and creditors known to be outstanding at 31 March 2011.

Debtors and creditors included in the accounts are analysed below:-

	31 March 2011 £'000	31 March 2010 £'000
DEBTORS		
Bath & North East Somerset Council	-	10,027
Contributions Receivable		
- Employers	7,466	7,267
- Members	2,963	2,985
Discretionary Early Retirement Costs	409	498
Other Debtors	710	372
	<u>11,548</u>	<u>21,149</u>
CREDITORS		
Management Fees	(728)	(393)
Lump Sum Retirement Benefits	(380)	(1,712)
Other Creditors	(328)	(95)
	<u>(1,436)</u>	<u>(2,200)</u>
	<u>10,112</u>	<u>18,949</u>
DEFERRED CHARGES		
Cost of Triennial valuation	134	-
NET CURRENT ASSETS	<u>10,246</u>	<u>18,949</u>

The 31 March 2010 debtor with Bath & North East Somerset Council represents monies held by the Administering Authority on which a commercial rate of interest was paid. From 1 April 2010 the Fund has managed its surplus cash separately from the Council, consequently this debtor no longer occurs. Surplus cash is now included within the Total Investment Assets.

The Lump Sum Retirement benefits creditor was lower at 31 March 2011 because longer notice was given to the Fund of the number of members taking early retirement following redundancy, than was given at 31 March 2010.

The cost of the 2010 Triennial Valuation has been deferred to be charged to the years 2011/12 to 2013/14 in which the resulting contribution rates will apply.

Analysis of Debtors and Creditors by Public Sector Bodies:-

	31 March 2011		31 March 2010	
	£'000	£'000	£'000	£'000
Debtors				
Local Authorities	9,068		18,961	
NHS Bodies	11		10	
Other Public Bodies	1,580		1,674	
Non Public Sector	889		504	
		<u>11,548</u>		<u>21,149</u>
Creditors	(1,436)	(1,436)	(2,200)	(2,200)
Non Public Sector		<u>10,112</u>		<u>18,949</u>

There were no debtors or creditors of Central Government or public corporations and traded funds.

15 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2011. (March 2010 – NIL)

16 ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS FOR THE PURPOSE OF IAS 26

In compliance with IAS 26 the following statement has been prepared by the Fund's actuary:

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

In order to assess the value of the benefits on this basis, we have used the same actuarial assumptions as those used for funding purposes, other than the discount rate where we have used a rate of 5.6% p.a. both before and after retirement rather than the rates as outlined in section 1.7. We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. On this basis the value of the promised retirement benefits as at 31 March 2010 is £3,318 million.

PENSION FUND ACCOUNTS 2010/11

We have also carried out similar calculations as at the previous actuarial valuation date of 31 March 2007, using the same actuarial assumptions as those used for funding purposes at that date, other than the discount rate where we have used a rate of 5.4% p.a. both before and after retirement. On this basis the value of the IAS 26 purposes of the Fund's promised retirement benefits at that date was £2,962 million.

17 TRANSFERS IN

Transfers in during the year were all in relation to individuals. There were no group transfers into the fund during the year ending 31 March 2011.

18 BENEFITS RECHARGED TO EMPLOYERS

The Fund makes payments with regard to added years benefits awarded by the employer to LGPS members, including related pensions increases, and pension increases in respect of certain bodies with no pensionable employees in the Fund. The Fund also pays a small number of other pension supplements. These are not funded by the Fund and are recharged in full. They are not included in the Fund Accounts or related notes.

	31 March 2011	31 March 2010
	£'000	£'000
Benefits paid and Recharged	6,025	6,131

19 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC's)

Scheme members may make Additional Voluntary Contributions that are invested in insurance policies with The Equitable Life Assurance Society or Friends Life, the Fund's nominated AVC providers. Additional Voluntary Contributions received from employees and paid to The Equitable Life Assurance Society during 2010/11 were £4,128 (2009/10 - £7,319). Additional Voluntary Contributions received from employees and paid to Friends Life during 2010/11 were £516,160 (2009/10 - £527,655).

The total value of the assets invested, on a money purchase basis, with these AVC providers was:-

	31 March 2011 £'000	31 March 2010 £'000
<u>Equitable Life</u>		
With Profits Retirement Benefits	784	917
Unit Linked Retirement Benefits	443	449
Building Society Benefits	319	327
	1,546	1,693
 Death in Service Benefit	 199	 296
 <u>Friends Life</u>		
With Profits Retirement Benefits	173	263
Unit Linked Retirement Benefits	2,307	3,227
Cash Fund	277	482
	2,757	3,972

AVC investments are not included in the Fund's financial statements.

20 RELATED PARTIES

Committee Member Related:-

In 2010/11, £39,245 was charged to the Fund in respect of Allowances paid to the voting Members of the Avon Pension Fund Committee (£36,893 in 2009/10). Four voting members and three non-voting members of the Avon Pension Fund Committee (including three B&NES councillor members) were members of the Local Government Pension Scheme during the financial year 2010/11. (Five voting members and three non-voting members in 2009/10, including three B&NES councillor members).

Independent Trustee Related:-

Two Independent Trustees were paid allowances of £6,380 and £12,379 respectively during the year for their work in relation to the Pension Fund Committee and the Investment Panel. They were also entitled to claim reasonable expenses. The independent trustees are not eligible to join the Local Government Pension Scheme.

PENSION FUND ACCOUNTS 2010/11

Employer Related:-

During the year 2010/11 the Fund paid B&NES Council £246,209 for its administrative services (£239,878 in 2009/10) and B&NES Council paid the Fund £6,091 for administrative services (£1,528 in 2009/10). Various employers requiring IAS 19 disclosures and other actuarial work paid the Fund a total of £3,266 (£1,665 in 2009/10) for their services in compiling data for submission to the actuary.

Officer and Manager related:-

The officers and managers administering the Avon Pension Fund are eligible to be members of the Avon Pension Fund.

There are no other related party transactions except as already disclosed elsewhere.

21 OUTSTANDING COMMITMENTS

As at the 31 March 2011 the Fund had outstanding commitments relating to investments in property that will be drawn down in tranches by the Investment Managers totalling £86,867,061.

22 FINANCIAL RISK MANAGEMENT DISCLOSURE

As an investment fund, the Avon Pension Fund's objective is to generate positive investment returns for a given level of risk. Therefore the Fund holds financial instruments such as securities (equities, bonds), collective investment schemes (pooled funds) and cash equivalents. In addition debtors and creditors arise as a result of its operations. The value of these financial instruments is reflected in the financial statements at their fair value.

The main risks from the Fund's holding of financial instruments are market risk, credit risk and liquidity risk. Market risk includes price risk, interest rate risk and currency risk.

The Fund's investments are managed on behalf of the Fund by the appointed Investment Managers. Each investment manager is required to invest the assets managed by them in accordance with the terms of their investment guidelines or pooled fund prospectus. The Avon Fund Committee ("committee") has determined that the investment management structure is appropriate and is in accordance with its investment strategy. The Committee regularly monitors each investment manager and its Investment Consultant advises on the nature of the investments made and associated risks.

The Fund's investments are held by BNY Mellon Asset Servicing, who act as custodian on behalf of the Fund.

Because the Fund adopts a long term investment strategy, the high level risks described below will not alter significantly during any one year unless there are significant strategic or tactical changes in the portfolio.

(a) Market Risk

Market risk represents the risk that fair value of a financial instrument will fluctuate because of changes in market prices, interest rates or currencies. The Fund is exposed through its investments in equities, bonds and investment funds, to all these market risks. The aim of the investment strategy is to manage and control market risk within acceptable parameters, while optimising the return from the investment portfolio.

In general market risk is managed through the diversification of the investments held by asset class, investment mandate guidelines and Investment Managers. The risk arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the Committee.

(a) (i) Market Risk Price

Market price risk represents the risk that the value of a financial instrument will fluctuate caused by factors other than interest rate or foreign currency movements, whether those changes are caused by factors specific to the individual instrument, its issuer or factors affecting the market in general.

Market price risk arises from uncertainty about the future value of the financial instruments that the Fund holds. All investments present a risk of loss of capital, the maximum risk being determined by the fair value of the financial instruments. The Investment Managers mitigate this risk through diversification in line with their own investment strategies and mandate guidelines.

(a) (ii) Market Price Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of return experienced by each investment portfolio during the year to 31 March 2011. The volatility data has been provided by JLT Benefit Solutions and is broadly consistent with a one-standard deviation movement in the value of the assets. The analysis assumes that all other variables including interest rates and foreign currency exchange rates have a similar experience to that experienced for the year to 31 March 2011.

Movements in market prices could have increased or decreased the net assets valued at 31 March 2011 by the amounts shown below. It should be noted that the likelihood of this risk materialising in normal circumstances is low by virtue of the diversification within the fund.

PENSION FUND ACCOUNTS 2010/11

As at 31 March 2011

	Value £'000	Volatility of return	Increase £'000	Decrease £'000
Blackrock	1,389,499	14%	195,919	(195,919)
Blackrock No. 2 Fund	79,828	7%	5,827	(5,827)
Jupiter UK Equities	109,295	12%	13,225	(13,225)
TT UK Equities	132,073	17%	22,452	(22,452)
Invesco Global ex-UK Equities	169,742	15%	24,782	(24,782)
State Street Europe Equities	32,846	20%	6,504	(6,504)
State Street Pacific Rim Equities	58,330	13%	7,583	(7,583)
Genesis Emerging Market Equities	147,200	15%	21,344	(21,344)
RLAM Corporate Bonds	131,992	5%	7,128	(7,128)
MAN Fund of Hedge Funds	100,418	6%	5,925	(5,925)
Gottex Fund of Hedge Funds	53,490	2%	1,337	(1,337)
Signet Fund of Hedge Funds	47,225	3%	1,417	(1,417)
Stenham Fund of Hedge Funds	11,665	4%	443	(443)
Lyster Watson Fund of Hedge Funds	10,228	9%	941	(941)
Schroder UK Property	120,511	2%	2,049	(2,049)
Partners Overseas Property	53,129	4%	2,125	(2,125)
Internal Cash	10,456	0%	21	(21)
Deferred Assets (previous managers)	24	0%	-	-
Total	2,657,951	12%	319,021	(319,021)

(a) (iii) Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates which will affect the value of fixed interest and index linked securities. The amount of income receivable from cash balances or interest payable on overdrafts will be affected by fluctuations in interest rates.

The Fund's exposure to interest rate movements on these investments at 31 March 2011 are provided below. Cash includes the cash deposits held against futures contracts.

	31/03/2011
	£'000
Cash and Cash Equivalents	50,515
Fixed Interest Assets	559,197
Loans	-
Total	609,712

(a) (iv) Interest Rate Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in interest rates has been analysed by showing the affect on fair value of the fixed income securities as at 31 March 2011 of a 1% change in interest rates. The analysis assumes that all other variables including foreign currency exchange rates have a similar experience to that experienced for the year to 31 March 2011.

An increase or decrease of 1% in interest rates at the reporting date would have increased or decreased the net assets by the amount shown below.

As at 31 March 2011	Value £'000	Change in net assets	
		+100 BPS	-100 BPS
Cash and Cash Equivalents	50,515	-	-
Fixed Interest Assets	559,197	(69,620)	69,620
Loans	-	-	-
Total	609,712	(69,620)	69,620

A 1% rise in interest rates will reduce the fair value of the relevant net assets and vice versa. Changes in interest rates do not impact the fair value of cash balances but they will affect the interest income received.

(a) (v) Foreign Currency Risk

Foreign currency risk represents the risk that the fair value of financial instruments when expressed in Sterling, the Fund's base currency, will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on investments denominated in a currency other than Sterling. For a Sterling based investor, when Sterling weakens, the Sterling value of foreign currency denominated investments rises. As Sterling strengthens, the Sterling value of foreign currency denominated investments falls.

The Fund's current policy is not to hedge its foreign currency exposure arising to mitigate the impact of movements in foreign exchange rates, except for the Fund of Hedge Funds. The Fund invests in the Fund of Hedge Fund's Sterling share classes. This effectively eliminates currency gains and losses from the investment gains and losses. The Fund implements the US Dollar Sterling hedge for the Lyster Watson Fund of Hedge Funds. It should be noted that the Fund will implement active currency hedging over the currency exposure arising from its overseas equity portfolios from 2011/12.

PENSION FUND ACCOUNTS 2010/11

Where an investment manager chooses to hedge against foreign currency movements forward foreign exchange contracts are used.

The following tables summarise the Fund's exposure at 31 March 2011 to the US Dollar, Japanese Yen and Euro (expressed in sterling values) which are the main currency exposures within the portfolio. The fair value of each exposure is based on the "look through" exposure of the pooled funds and is based on information provided by the investment managers, except for the global property funds where the share class of the funds held has been used. The fund of hedge funds are not included in this analysis given the share classes held are hedged back to Sterling.

As at 31 March 2011	US Dollar	Euro	Yen
Assets held at Fair Value (£'000s)	371,103	220,131	126,700
FX Contracts (£'000s)	(9,571)	(3,653)	-
Net Currency Exposure	361,532	216,478	126,700

(a) (vi) Currency Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency exchange rates has been analysed using the volatility experienced by each currency against Sterling during the year to 31 March 2011. The volatility data has been provided by JLT Benefit Solutions and is broadly consistent with a one-standard deviation movement in the currency. The analysis assumes that all other variables including interest rates have a similar experience to that experienced for the year to 31 March 2011.

A strengthening of Sterling against the various currencies by one standard deviation (expressed as a percentage) at 31 March 2011 would have decreased the net assets by the amount shown below and vice versa.

As at 31 March 2011	% Change	Assets held at Fair Value £'000s	Change in net assets +1 Standard Deviation	-1 Standard Deviation
US Dollar	12%	361,532	(43,745)	43,745
Euro	9%	216,478	(20,349)	20,349
Yen	17%	126,700	(21,412)	21,412
Total			(85,506)	85,506

(b) Credit Risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to meet an obligation and cause the Fund to incur a financial loss. This is often referred to as counterparty risk.

The Fund is exposed to credit risk through its underlying investments (including cash balances) and the transactions it undertakes to manage its investments. The careful selection of and monitoring of counterparties including brokers, custodian and investment managers minimises credit risk that may occur through the failure to settle transactions in a timely manner. The Fund's contractual exposure to credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the position in the event of a counterparty default. Bankruptcy or insolvency of the custodian may affect the Fund's access to its assets. However, all assets held by the custodian are ring-fenced as "client assets" and therefore can not be claimed by creditors of the custodian. The Fund manages its risk by monitoring the credit quality and financial position of the custodian. The investment managers' research process for selecting and monitoring securities or funds for investment mitigates the risk of fraud.

The Fund's bond portfolios have significant credit risk through their underlying investments. This risk is managed through diversification across sovereign and corporate entities, credit quality and maturity of bonds. The market prices of bonds incorporate an assessment of credit quality in their valuation which reflects the probability of default (the yield of a bond will include a premium that will compensate for the risk of default). However it should be noted from historical data that the probability of default of investment grade bonds is 6.7% over a twenty year period (source: Moody's 1920-2010). This means that in a portfolio of a hundred investment grade bonds held for twenty years, seven would have defaulted by the end of the period.

Another source of credit risk is the cash balances held to meet operational requirements or by the managers at their discretion. Internally held cash is managed on the Fund's behalf by the Council's Treasury management team in line with the Fund's Treasury Management Policy which sets out the permitted counterparties and limits. The Fund and managers invest surplus cash held with the custodian in diversification money market funds.

Through its securities lending activities, the Fund is exposed to the counterparty risk of the collateral provided by borrowers against the securities lent. This risk is managed by restricting the collateral permitted to high grade sovereign debt and baskets of liquid equities. Cash collateral is not permitted.

Foreign exchange contracts are subject to credit risk in relation to the counterparties of the contracts which are primarily banks. The maximum credit exposure on foreign currency contracts is the full amount of the contractual settlement should the counterparty fail to meet its obligations to the Fund when it falls due.

PENSION FUND ACCOUNTS 2010/11

The fair market value of the financial assets represents the Fund's exposure to credit risk in relation to those assets and is set out below. For derivative positions the credit risk is equal to the net market value of positive (asset) derivative positions.

	31/03/2011
	£'000
Equities	1,650,443
Fixed Interest - Quoted	154,494
Fixed Interest - Pooled	247,326
Index Linked - Quoted	157,378
Fund of Hedge Funds	222,379
Property	172,052
Cash assets	50,515
Derivatives FTSE Futures	543
Forward Foreign Exchange Hedge	(59)
Investment Debtors/Creditors	2,880
	2,657,951

The credit risk within the bond portfolios can be analysed using standard industry credit ratings and the analysis as at 31 March 2011 is set out below.

Credit Analysis 31/03/2011	AAA	AA	A	BBB	BB	Unrated
	£'000	£'000	£'000	£'000	£'000	£'000
UK Gilts	189,741	-	-	-	-	-
UK Index Linked	157,378	-	-	-	-	-
Overseas Government Bonds	39,886	33,966	-	-	-	-
Corporate Bonds	16,228	13,511	49,556	36,724	5,436	16,895
	403,233	47,477	49,556	36,724	5,436	16,895
% of Fixed Interest portfolios	72%	8%	9%	7%	1%	3%

Through the UK Gilt and Index linked portfolios the Fund has significant credit exposure to the UK Government. Unrated bonds are bonds that are not rated by any of the rating agencies; traditionally, unrated bonds benefit from security over the assets of the issuer.

(c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. A substantial portion of the Fund's investments consist of readily realisable securities, in particular equities and fixed income investments, even though a significant proportion is held in pooled funds. However, the main liability of the Fund is the benefits payable which fall due over a long period and the investment strategy reflects the long term nature of these liabilities. Therefore the Fund is able to manage the liquidity risk that arises from its investments in less liquid asset classes such as property and fund of hedge funds which are subject to longer redemption periods and can not be considered as liquid as other investments. The Fund maintains a cash balance to meet working requirements.

The following table analyses the Fund's financial liabilities, grouped into relevant maturity dates.

	Carrying Amount	Less than 12 months	Greater than 12 months
	£'000	£'000	£'000
31/03/2011			
Accounts payable	3,305	3,305	-
Benefits payable	380	380	-
Vested benefits	3,318,000	3,318,000	-
<u>Derivative financial liabilities settled gross</u>			
Inflows	29,200	29,200	-
Outflows	(28,717)	(28,717)	-
	483	483	-

Vested benefits are categorised as due within 12 months because any individual benefit could become due in that time. In reality these benefits will become due over the life times of the members.

(d) fair value Hierarchy

The Fund is required to classify its investments using fair value hierarchy that reflects the subjectivity of the inputs used in making an assessment of fair value. Fair value is the value at which the investments could be realised within a reasonable timeframe. This hierarchy is not a measure of investment risk but a reflection of the ability to value the investments at fair value. The fair value hierarchy has the following levels:

- * Level 1 - easy to price securities; there is a liquid market for these securities.
- * Level 2 - moderately difficult to price; limited visible market parameters to use in the valuation e.g. use inputs derived from observable market data.
- * Level 3 - difficult to price; difficult to verify the parameters used in valuation e.g. use information not available in the market.

PENSION FUND ACCOUNTS 2010/11

The level in the fair value hierarchy will be determined by the lowest level of input that is appropriate for the investment. This is particularly relevant for pooled funds where, for this exercise, the fund is classified as a single investment.

The classification of financial instruments in the fair value hierarchy is subjective but the Fund has applied the same criteria consistently across its investments. The financial instruments reported at fair value are classified in accordance with the following levels:

Level 1 inputs - Quoted prices (unadjusted) in active, liquid markets for an identical instrument. These include active listed equities, exchange traded derivatives, government bonds. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or regulatory agency and those prices represent regularly occurring market transactions.

Therefore in the analysis below, Level 1 includes quoted equities and government bonds, which are liquid and readily realisable but excludes pooled funds that invest in these securities.

Level 2 inputs - Valuation techniques used to price securities are based on observable inputs. This includes instruments valued using quoted market prices similar instruments, quoted prices for similar instruments in markets that are less active, or other valuation techniques where all significant inputs are observable from market data.

Therefore in the analysis below, Level 2 includes pooled funds where the net asset value of the pooled fund is derived from observable prices of the underlying securities. The Fund's holding in these pooled funds can be realised at net asset value.

Level 3 inputs - valuation techniques using significant unobservable inputs for the valuation of financial instruments and where there is little market activity. These inputs require management judgement or estimation and include financial instruments that are valued based on unobservable adjustments or assumptions to reflect differences between instruments for which there is no active market.

Therefore in the analysis below, Level 3 includes pooled funds such as property funds and Fund of Hedge Funds where the net asset value is derived from unobservable inputs. In addition, the Fund's holding in these pooled funds is not immediately realisable at the net asset value.

The following sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 31 March 2011.

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Auk Equities - Quoted	247,539			247,539
Fixed Interest - Quoted	311,872			311,872
Pooled Investment Vehicles		1,650,773		1,650,773
Fund of Hedge Funds			222,379	222,379
Property			172,052	172,052
Cash	50,515			50,515
Investment Debtors/Creditors	2,821			2,821
	612,747	1,650,773	394,431	2,657,951

PENSION FUND ACCOUNTS 2010/11

23 EMPLOYING BODIES

As at 31 March 2011 the following employing bodies had contributing scheme members in the Avon Pension Fund:

Scheduled Bodies

Principal Councils and Service Providers

Avon Fire Brigade
Bath & North East Somerset Council
Bristol City Council
North Somerset Council
South Gloucestershire Council

Designating Bodies

Bath Tourism Plus
Backwell Parish Council
Bradley Stoke Town Council
Charter Trustees of the City of Bath
Clevedon Town Council
Destination Bristol
Dodington Parish Council
Downend & Bromley Heath Parish Council
Easton in Gordano Parish Council
Filton Town Council
Frampton Cotterell Parish Council
Hanham Parish Council
Hanham Abbots Parish Council
Keynsham Town Council
Long Ashton Parish Council
Mangotsfield Parish Council
Nailsea Town Council
Norton Radstock Town Council
Oldland Parish Council
Patchway Town Council
Paulton Parish Council
Peasedown St John Parish Council
Portishead & North Weston Town Council
Saltford Parish Council
Stoke Gifford Parish Council
Thornbury Town Council
Westerleigh Parish Council
Weston Super Mare Town Council
Whitchurch Parish Council
Winterbourne Parish Council
Yatton parish Council
Yate Town Council

Admitted Bodies

Active Community Engagement Ltd
Agilisys
Agincare Ltd *
Aquaterra Leisure Ltd. *
Aramark Ltd *
Ashley House Hostel
BAM Construct UK Ltd (for Henbury School)
Bath & North East Somerset Racial Equality Council
Bespoke Cleaning *
The Care Quality Commission
Centre For Deaf People

Education Establishments

Academy of Trinity C of E
Bath Spa University College
Bristol Cathedral Choir School
Cabot Learning Federation
City Academy Bristol
City of Bath College
City of Bristol College
Colston Girl's School Academy
Filton College
Merchant's Academy
Oasis Academy Brightstowe
Oasis Academy Bristol
Oldfield School Academy Trust
Midsomer Norton School Partnership
Norton Radstock College
St. Brendan's College
The Ridings Federation Winterbourne
The Ridings Federation Yate
University of the West of England
Weston College

Admitted Bodies - continued

Churchill Contract Services
Churchill Team Clean
Clifton Suspension Bridge Trust
Eden Food Services *
English Landscapes*
Holburne Museum of Art
ISS Mediclean Bristol*
ISS Mediclean Cabot Learning Federation
Keir Facilities Services
Liberata UK Limited
Learning Partnership West Ltd
Merlin Housing Society (SG)
Merlin Housing Society Ltd
Mouchel *
Mouchel Business Services*
Mouchel Business Services Ltd (Nailsea IT)*
North Somerset Housing
Northgate Colston Girls School IT
Northgate Information Solutions *
Off The Record Bath & North East Somerset
Prospect Services Ltd *
Quadron Services
RM Data Solutions
Shaw Healthcare (North Somerset) Ltd. *
SITA Holdings UK Ltd. *
Skanska (Cabot Learning Foundation)*
Skanska Rashleigh Westerfoil *
SLM Community Leisure *
SLM Fitness and Health *

Admitted Bodies continued

Sodexo Ltd

Somer Community Housing Trust

Somer Housing Group Ltd.

South Gloucestershire Leisure Trust*

Southern Brooks Community partnership

Southwest Grid for Learning Trust

The Brandon Trust *

Tone Leisure Trust

University of Bath

West of England Sports Trust

Woodspring Association for Blind People

Yes Dining Ltd *

* Scope bodies: A body that provides, by means of contract, a service in connection with the exercise of a function of a scheme employer.

STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

The Council is required to:

- * Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Council has made the Divisional Director of Finance responsible for financial administration.
- * Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- * Approve the statement of accounts for the year.

Divisional Director of Finance responsibilities:

The Divisional Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing this Statement of Accounts, the Divisional Director of Finance has:

- * Selected suitable accounting policies and then applied them consistently
- * Made judgements which were reasonable and prudent
- * Complied with the local authority Code of Practice

The Divisional Director of Finance has also:

- * Kept proper and up to date accounting records.
- * Taken reasonable steps for the prevention and detection of fraud and other irregularities

Statement of the Divisional Director of Finance

I hereby certify that this statement of accounts presents a true and fair view of the financial position of the Council at the accounting date and the income and expenditure for the year ended 31 March 2011.

SIGNED:



Divisional Director Finance (s.151 officer)
DATE

Tim Richens



Chairperson, Corporate Audit Committee
DATE

Councillor Andy Furse

The Statement of Accounts were Authorised for Issue on 30 June 2011.

GLOSSARY OF TERMS

Accounting Policies

Rules and practices adopted by the Council that dictate how transactions and events are shown or costed.

Accruals

Income and expenditure are recognised as they are earned or incurred not as money is received or paid.

Actuary

An independent professional who advises on the position on the Pension Fund.

Actuarial Valuation

The Actuary reviews the assets and liabilities of the pension fund every three years.

Appropriation

The assignment of revenue for a specific purpose.

Balance Sheet

Statement of recorded assets and liabilities and other balances at the end of the accounting period.

Capital Charges

A charge made to service revenue accounts, for depreciation to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure

Expenditure on new fixed assets such as land and buildings or on enhancement of existing assets so as to significantly prolong their useful life or increase their market value.

Capital Receipts

Income received from the disposal of land, buildings and other capital assets.

Collection Fund

A fund operated by the billing authority into which all receipts of Council tax and National Non-Domestic Rates (NNDR) are paid.

Contingent Liabilities

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control, or a present obligation that arises from past events but is not recognised because it is not probable that a transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Council Tax

A tax on domestic properties introduced 1st April 1993 to replace the community charge.

Creditors

Amounts owed by the Council for goods and services received on or before 31st March.

GLOSSARY OF TERMS

Debtors

Amounts owed to the Council for goods and services provided on or before 31st March.

Deferred Charges

Items for which expenditure is charged to capital, but there is no tangible asset.

Depreciation

The loss in value of an asset due to age, wear and tear, deterioration and obsolescence.

Earmarked Reserves

Amounts set aside for a specific purpose or a particular service or type of expenditure.

Fixed Assets

Tangible assets that result in benefits to the local authority and the services it provides for more than a year.

Fixed Asset Restatement Account

Balance of surpluses or deficits arising on periodic revaluation of fixed assets.

General Fund

The account that summarises the revenue costs of providing services that are met by the Council's demand on the Collection Fund, specific government grants and other income.

Gross Expenditure

Total expenditure before deducting income.

Infrastructure Assets

Fixed assets that cannot be easily disposed of, expenditure on which is only recovered by continued use of assets.

Minimum Revenue Provision

The minimum amount the Council must charge to its revenue account to provide for repayment of debt.

National Non-Domestic Rates (NNDR)

A flat rate in the pound set by government and levied on businesses in the Council area.

Net Expenditure

Gross expenditure less income.

GLOSSARY OF TERMS

Operating Lease

A lease under which the asset is not the property of the lessee.

Outturn

Actual income and expenditure for the financial year.

Precept

The charge made by one authority to another to finance its net expenditure.

Private Finance Initiative (PFI)

Government initiative under which councils buy the services of the private sector to design, build, finance and operate a public facility.

Provision

Amounts set aside for any liability or loss that is likely to be incurred, but where the exact amount and date is uncertain.

Rateable Value

The value of a property for rating purposes set by the inland revenue. Business rates payable are calculated by multiplying the rateable value of the property by the rate in the pound set by government.

Reserves

The amount held in balances and funds that are free from specific liabilities or commitments.

Revenue Expenditure

The regular day-to-day running costs incurred in providing services.

Revenue Support Grant (RSG)

The main grant paid by central government to a local authority towards the cost of all its services.

Statement of Recommended Practice (SORP)

Recommendations on accounting practices issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) with which the Council must comply.

Support Services

Activities of a professional, technical and administrative nature, which are not local authority services in their own right, but support the front line service.

Trading Accounts

The profit and loss account of any trading organisation that needs to be disclosed separately in the Council's account.